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DISSERTATION

THE IMPACT OF CORPORATE GOVERNANCE MECHANISMS ON FIRMS' FINANCIAL PERFORMANCE AND CORPORATE SOCIAL RESPONSIBILITY CONDUCT IN CHINA

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ANNOTATION

Chen Fuli **The Impact of Corporate Governance Mechanisms on Firms' Financial Performance and Corporate Social Responsibility Conduct in China** – Manuscript.

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The dissertation summarizes the theoretical-methodological and scientific-practical aspects of the impact of corporate governance (CG) on the financial performance (FP) and corporate social responsibility (CSR) of companies in the People's Republic of China and defines the mechanism of their interaction on the development of Chinese listed companies.

The beginning of the new millennium was the moment of a surge of scandals in which social, environmental and management aspects were intertwined, and the common thread in these incidents is the interaction between corporate governance and CSR. Such scandalous incidents have pushed scientists, practitioners and legislators to try to understand how the concepts of CG and CSR are interconnected and overlap each other. Despite numerous studies on CG and CSR, there is no consensus on the nature of the relationship between these two concepts and how this relationship manifests itself in the institutional context, as well as how it affects FP of companies. At the same time, it is known that a balanced structure of the CG not only contributes to the growth of the company's financial indicators, but also allows the company to better fulfill its social obligations, at the same time, appropriate financial performance and fulfilling social obligations are necessary conditions for the sustainable development of listed companies.

The author has developed a methodical approach and framework of the relationship among corporate governance, financial performance, and CSR conduct in companies, which unlike existing research analyzing the relationship between the two, studies the links between the three phenomenon and allows for a broader

consideration of the mission and environment of companies in the conditions of the stakeholder economy.

The conceptual and categorical apparatus was improved by clarifying the definition of corporate governance that includes consequences of corporate decision making on non-financial stakeholders and defines it as related to all processes that affect both financial and non-financial firm level outcomes. In order to improve the understanding of how research on the interrelationship in the triangle of CG-CSR-FP of companies manifests itself in various institutional aspects, the work synthesizes existing research according to various institutional approaches.

The research improves algorithm and methodical approaches to the interaction between CG and CSR, and the trend of the two approaching each other, in which CSR conduct divided into two levels, namely CSR behavior and CSR disclosure, which are used to measure the extent to which enterprises protect the rights and interests of stakeholders and the intensity of CSR information disclosure respectively and that interaction could lead to either internal orientation or external orientation, two types of CSR behaviors elucidated.

Dissertation work have also been improved theoretical and methodological approaches to the comprehension of the influencing factors of CSR disclosure of Chinese listed companies, which identifies financial conditions, CSR behaviors, and market participants' behaviors as a forces jointly affecting CSR disclosure, while acknowledging that companies with high levels of FP and CSR behavior are willing to increase the intensity of CSR disclosure and vice versa, listed companies with lower FP or less CSR behavior will reduce CSR disclosure.

In the work, the model of division at the stage of development of corporate governance in China was further developed and specified based on the development of the securities market and corporate governance norms; methodical approach to the grouping criteria of this type of research, which unlike previous studies conducting group analysis based on conditions such as the proportion of state-owned shares and the nature of controlling shareholders, uses "whether the state holds shares" as the classification standard, explores the differences between the two types of enterprises in empirical research, and allows to draw new research conclusions; mechanism by which institutional investors improve FP and improve CSR behavior demonstrating that only listed companies with great growth potential can attract investment from institutional investors, and institutional investors will in turn promote the sustainable development of listed companies through long-term holding and participation in decision-making; determination of features of the distribution of agency problems in Chinese listed companies by demonstrating the prevalence of type I agency problems in State Investment Enterprise (SIE), while evincing that type II agency problems prevails in Non-SIE companies.

The practical significance of the obtained results is that the theoretical provisions and practical recommendations, conclusions and proposals of the dissertation work are aimed at solving the problems of the functioning of companies in the conditions of the stakeholder economy with a strong orientation towards meeting the needs of all stakeholders, not only shareholders, and the corresponding reorientation to this and expansion functions of CG, improving its interaction with the corporate function of CSR and in relation to the impact on the FP of listed companies in the People's Republic of China.

Keywords: corporate governance, management, financial performance, good governance, social responsibility, environmental responsibility, corporate social responsibility disclosures, sustainable development, accounting and reporting, sustainability reporting, non-financial reports, business ethics, regression equations, institutions, China.

АНОТАЦІЯ

Чень Фулі **Науково-методичне забезпечення оцінювання впливу корпоративного управління на фінансові результати діяльності та корпоративну соціальну відповідальність компаній у Китаї** – Рукопис.

Дисертація на здобуття наукового ступеня доктора філософії (Ph.D.) за спеціальністю 073 «Менеджмент». − Сумський національний аграрний університет, Суми, 2023.

У дисертаційній роботі узагальнені теоретико-методологічні та науково-практичні аспекти впливу корпоративного управління на фінансові результати діяльності та корпоративну соціальну відповідальність компаній в Китайській народній республікації та визначено механізм впливу їх взаємодії на розвиток китайських публічних компаній.

Початок нового тисячоліття став моментом сплеску скандалів у яких перепліталися соціальні, екологічні та управлінські аспекти, а спільною ниткою в цих інцидентах є взаємодія між корпоративним управлінням (КУ) та корпоративною соціальною відповідальністю (КСВ). Такі скандальні інциденти підштовхнули науковців, практиків і законодавців до спроби зрозуміти, як концепції КУ і КСВ взаємопов'язують і накладаються одна на одну. Незважаючи на численні дослідження корпоративного управління (КУ) та корпоративної соціальної відповідальності (КСВ), немає консенсусу щодо характеру взаємозв’язку між цими двома концепціями та того, як цей зв’язок проявляється в інституційному контексті, а також на те, як це впливає на фінансові результати діяльності фірм. В той же час, відомо, що виважена структура КУ не тільки сприяє зростанню фінансових показників компанії, але й дозволяє компанії краще виконувати свої соціальні обов'язки, водночас, отримання фінансових показників та виконання соціальних обов’язків є необхідними умовами для сталого розвитку компаній, зареєстрованих на біржі.

Автором розроблено методичний підхід та структуру взаємозв’язку між

корпоративним управлінням, фінансовими показниками та поведінкою компаній у сфері корпоративної соціальної відповідальності, яка, на відміну від існуючих досліджень, що аналізують взаємозв'язок між щонайбільше двох цих концепцій, вивчає зв'язки між трьома явищами та дозволяє ширше розглядати місію та середовище компаній в умовах економіки стейкхолдерів.

Було удосконалено понятійно-категоріальний апарат через уточнення визначення корпоративного управління, що включає наслідки прийняття корпоративних рішень для нефінансових зацікавлених сторін і визначає їх як пов'язані з усіма процесами, які впливають як на фінансові, так і на нефінансові результати фірми. Корпоративна соціальна відповідальність (КСВ) розглядається як загальний термін, який включає політики, процеси та практики (включаючи розкриття інформації), які компанії впроваджують для покращення добробуту своїх зацікавлених сторін і суспільства (включно з навколишнім середовищем), незалежно від того, здійснюються вони добровільно чи ні, чи передбачено правилами, нормами та/або звичаями. Щоб покращити розуміння того, як дослідження взаємовязку у трикутнику корпоративне управління – корпоративна соціальна відповідальність – фінансова результативність компаній проявляються в різних інституційних аспеках, в роботі синтезовано існуючі дослідження відповідно до різних інституційних підходів.

Дослідження визначає алгоритм і методичні підходи до тісної взаємодії між КУ та КСВ, а також тенденції їх наближення, в якому поведінка КСВ поділена на два рівні, а саме поведінка у КСВ та розкриття інформації щодо КСВ, які використовуються для вимірювання ступеня, в якому підприємства захищатимуть права та інтереси зацікавлених сторін та інтенсивність розкриття інформації про КСВ, відповідно, і ця взаємодія може призвести до внутрішньої або зовнішньої орієнтації, два типи поведінки КСВ, які визначаються в роботі.

В дисертаційні роботі удосконалено також теоретичні та методологічні підходи до розуміння факторів впливу на розкриття інформації щодо корпоративної соціальної відповідальності китайських компаній, акції яких котуються на біржі, які визначають фінансові умови, поведінку у КСВ та поведінку учасників ринку як сили, що спільно впливають на розкриття інформації щодо КСВ, визнаючи, що компанії з високим рівнем фінансової результативності і поведінки у КСВ готові збільшити інтенсивність розкриття КСВ, і навпаки, компанії, зареєстровані на біржі, з нижчою фінансовою результативністю або меншою поведінкою КСВ зменшуватимуть розкриття КСВ.

В роботі набули подальшого розвитку та було уточнено модель поділу на стадії розвитку корпоративного управління в Китаї на п’ять етапів розвитку на основі розвитку ринку цінних паперів і норм корпоративного управління; методичний підхід до критеріїв групування цього типу дослідження, який, на відміну від попередніх досліджень, що проводять груповий аналіз на основі таких умов, як частка державних акцій та характер контрольних акціонерів, використовує критерій державної частки у власності як стандар і досліджує відмінності між двома типами підприємств в емпіричному дослідженні та дозволяє зробити нові висновки дослідження; механізм, за допомогою якого інституційні інвестори покращують фінансові результати діяльності та покращують поведінку компаній у КСВ, демонструючи, що лише зареєстровані на біржі компанії з великим потенціалом зростання можуть залучити інвестиції від інституційних інвесторів, а інституційні інвестори, у свою чергу, сприятимуть сталому розвитку зареєстрованих на біржі компаній через довгострокове утримання та участь у прийнятті рішень; механізм визначення особливостей розподілу агентської проблеми у китайських публічних компаніях шляхом демонстрації поширеності агентських проблем типу I у державних інвестиційних підприємствах, водночас доводячи, що агентські проблеми типу II переважають у компаніях, які не є державними інвестиційними підприємствами.

Практичне значення отриманих результатів полягає в тому, що теоретичні положення та практичні рекомендації, висновки і пропозиції дисертаційної роботи спрямовані на розвязання проблем функціонування компаній в умовах економіки стейкхолдерів із сильної орієнтацією на задоволення потреб усіх стейкхолдерів, а не тільки акціонерів і відповідної переорієнтації на це та розширення функцій корпоративного управління, покращуючи його взаємодію із корпоративною функцією корпоративною соціальною відповідальністю та у взаємовязку із впливом на фінансові результати діяльності публічних компаній в Китайській народній республіці.

Ключові слова: корпоративне управління, менеджмент, фінансові показники діяльності, належне врядування, соціальна відповідальність, екологічна відповідальність, розкриття інформації щодо корпоративної соціальної відповідальності, сталий розвиток, облік і звітність, звітність про сталий розвиток, нефінансові звіти, ділова етика, рівняння регресії, інститути, Китай.

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TABLE OF CONTENTS

LIST OF ABBRIVIATION

CEO = Chief Executive Officer

CG = Corporate Governance

CSMAR = China Stock Market & Accounting Research Database

CSR = Corporate Social Responsibility

CSRC = China Securities Regulatory Commission

ESG = Environmental, Social and Governance

FP = Financial Performance

GDP = Gross Domestic Product

GRI = Global Reporting Initiative

SASAC = State-owned Assets Supervision and Administration Commission of the State Council

SIE = State Investment Enterprise

SOE = State-Owned Enterprises

SR = Sustainability Reporting/report

INTRODUCTION

Relevance of the topic. Corporate governance (CG) plays a fundamental role in the development of listed companies and has received continuous attention from academia, business, and government. The beginning of the new millennium was the moment of a surge of scandals in which social, environmental and management aspects were intertwined, and the common thread in these incidents is the interaction between CG and corporate social responsibility (CSR). Such scandalous incidents have pushed scientists, practitioners and legislators to try to understand how the concepts of CG and CSR are interconnected and overlap each other. Despite numerous studies on CG and CSR, there is no consensus on the nature of the relationship between these two concepts and how this relationship manifests itself in the institutional context, as well as how it affects financial performance (FP) of companies. At the same time, it is known that a balanced structure of the CG not only contributes to the growth of the company's financial indicators, but also allows the company to better fulfill its social obligations, at the same time, appropriate FP and fulfilling social obligations are necessary conditions for the sustainable development of listed companies. This work will start with the attributes of CG, study their relationship with FP and CSR conduct, analyze the current situation and problems of CG in China, and explore the future development direction of CG in China.

Connection of work with scientific programs, plans, topics. The dissertation work was carried out within the scope of scientific research of the Department of Accounting and Taxation of the Sumy National Agrarian University, namely “Development of corporate reporting on sustainability / ESG reporting and its service infrastructure” (0121U100105) and “Development of CG and corporate relations based on sustainable development” (0121U100113). Partially the research undertaken within this work was conducted according to the framework of the projects Henan Provincial Social Science Planning Project No. 2021BZZ004; Henan Provincial University Humanities and Social Sciences Research Project No.2022-ZDJH-0099;

Henan Provincial University Humanities and Social Sciences Research Project No.2022-ZZJH-158; Xinxiang Social Science Federation Research Project No.2 021-167.

The Aim and Objectives of the study. The aim of this study is to develope theoretical, methodical, and applied principles of relationship between CG-FP and CG-CSR through empirical methods in Chinese institutional settings and reconsider the relationships between CG and CSR through amplification of corporate governance for stakeholders in the conditions of stakeholders economy and conceptually incorporate it into operational functioning of listed companies in People's Republic of China.

The implementation of the research goal led to the setting and solving of tasks:

- deepen theoretical approaches to understanding the essence of the relationship between CG, FP and CSR conduct and justify the architecture of the relationship in the triangle in companies in the conditions of the stakeholder economy;
- to generalize the conceptual and terminological apparatus of research by refining the definition of CG, which would incorporate the consequences of corporate decision-making for non-financial stakeholders;
- to investigate the mechanisms of interaction between CG and CSR, as well as to define and classify CSR behaviors in different models of interaction between CG and CSR;
- to conduct an assessment and analysis of various theoretical and methodological approaches to the comprehension of the influencing factors of CSR disclosure of Chinese listed companies;
- to define and clarify the classification features, as well as the division criteria and time periods of the development of CG in the People's Republic of China;
- to justify the choice and application of the updated methodological approach to the grouping criteria, which would include state share holding as the classification standard;

- to deepen the understanding of the mechanism by which institutional investors improve FP and improve CSR in the conditions of the institutional environment of the People's Republic of China.
- to determine the features of the distribution of agency problems in Chinese listed companies by demonstrating the prevalence of type I agency problems and type II agency problems in SIE vs. Non-SIE companies.

Research methods. The methodological basis of dissertation work is fundamental provisions of economic theory, theory of social economics economics and post-industrial society, concepts of sustainable development.

In the course of the research, general scientific and special economic methods were developed, namely: the dialectical method, methods of analysis and synthesis (when investigating the unity of CG and CSR business, the peculiarities of their performance in modern conditions), the method of historical-logical analysis (to study the establishment and the development of economic thought regarding CSR and the evolution of CG to take into account CSR); the method of systemic analysis (investigating the objects and subjects of CSR of public Chinese companies, principles and mechanisms of its activation in listed companies of the People's Republic of China); methods of systemic structural analysis (to identify the potential of reorientation and restructuring of corporate management for the incorporation of social responsibility of business to increase satisfaction of the needs of a wide range of stakeholders); statistical and graphical methods (when analyzing and summarizing statistical data), quantitative and qualitative methods (when analyzing the results of listed companies in terms of financial indicators, aspects of CG and CSR). The theoretical basis of the dissertation is the scientific papers of global scientists on the relevant issues.

Moreover, this study uses bibliometrics, descriptive statistics, correlation analysis, and multiple regression analysis methods to conduct qualitative and quantitative research on the relationship between CG-FP and CG-CSR. First, explore the concept, connotation, and development of CG and CSR, and analyze the nature of

CG attributes. Explain the main points of the theory related to CG and the relationship with this study. Then, using the methods of systematic review and bibliometric analysis, the main ideas, methods, and results of relevant literature are reviewed, and the connection between this study and previous studies is explored. In the empirical analysis, first use Stata to integrate data related to CG, FP, and CSR conduct of Chinese listed companies from CSMAR and Hexun.com, to explore the trend of variables and the current status of CG in China. This study uses the multiple regression model to analyze the relationship between CG attributes, FP, and CSR conduct, and the analysis software used is Stata 17.0. There are three dependent variables, among which FP is measured by Tobin's Q value, CSR behavior is measured by the listed company governance index released by Hexun.com, and CSR disclosure intensity is measured by the CSR disclosure data of listed companies in the CSMAR database. The independent variables are three types of CG variables, including shareholding structure (state-owned shareholding ratio, institutional shareholding ratio, and ownership concentration), management characteristics (board size, independent director ratio, CEO duality, supervisory board size), and management incentives. (management compensation, management shareholding ratio). To analyze the CG-FP relationship, this paper uses the unbalanced panel data of the 2003-2020 data sample and 31,441 observations from 2,701 companies. To analyze the relationship between CG-CSR (including CSR behavior and CSR disclosure), this paper uses the unbalanced panel data of 22,795 observations from 2,676 companies and 2010-2020 data samples. Finally, according to the above results, compare the differences between Chinese CG models and other CG models, and summarize the characteristics of CG of Chinese listed companies. According to the latest changes in relevant laws and regulations, combined with the results of the research, it judges the new trend of CG in China and proposes CG codes for sustainable development.

The scientific novelty of the obtained results.

***For the first time**:*

- a methodical approach and framework of the relationship among CG, FP, and CSR conduct in companies, which unlike existing research analyzing the relationship between the two, studies the links between the three phenomenon and allows for a broader consideration of the mission and environment of companies and justify the architecture of the relationship in the triangle in companies in the conditions of the stakeholder economy;

***Improved*:**

- conceptual and categorical apparatus through clarification of the definition of CG that includes consequences of corporate decision making on non-financial stakeholders and defines it as related to all processes that affect both financial and non-financial firm level outcomes;
- algorithm and methodical approaches to the close interaction between CG and CSR, and the trend of the two approaching each other, in which CSR conduct divided into two levels, namely CSR behavior and CSR disclosure, which are used to measure the extent to which enterprises protect the rights and interests of stakeholders and the intensity of CSR information disclosure respectively and that interaction could lead to either internal orientation or external orientation, two types of CSR behaviors elucidated;
- theoretical and methodological approaches to the comprehension of the influencing factors of CSR disclosure of Chinese listed companies, which identifies financial conditions, CSR behaviors, and market participants' behaviors as a forces jointly affecting CSR disclosure, while acknowledging that companies with high levels of FP and CSR behavior are willing to increase the intensity of CSR disclosure and vice versa, listed companies with lower FP or less CSR behavior will reduce CSR disclosure;

***Acquired further development*:**

- the theoretical analysis framework dividing China's corporate governance into five stages of development based on the development of the securities market and CG norms;

- methodical approach to the grouping criteria of this type of research, which unlike previous studies conducting group analysis based on conditions such as the proportion of state-owned shares and the nature of controlling shareholders, uses "whether the state holds shares" as the classification standard, explores the differences between the two types of enterprises in empirical research, and allows to draw new research conclusions;
- mechanism by which institutional investors improve FP and improve CSR behavior demonstrating that only listed companies with great growth potential can attract investment from institutional investors, and institutional investors will in turn promote the sustainable development of listed companies through long-term holding and participation in decision-making;
- determination of features of the distribution of agency problems in Chinese listed companies by demonstrating the prevalence of type I agency problems in SIE, while evincing that type II agency problems prevails in Non-SIE companies.

The practical significance of the obtained results. This research perfects the theoretical analysis framework of the relationship between CG, FP, and CSR conduct. Based on principal-agent theory, stakeholder theory, and information asymmetry theory, this research analyzes the relationship between the three in combination with empirical results and expands the scope of application of the theory. This study provides evidence for CG research in emerging market countries using data from Chinese-listed companies. This study further enriches the literature on the relationship between CG, FP, and CSR conduct, analyzes new trends in CG in China, and proposes a sustainable development-oriented CG code for listed companies in China. The research results can be used as a basis for policy formulation by the regulatory authorities, as well as a reference for listed companies to improve their CG structures.

Personal contribution of the applicant. Dissertation research is an independent scientific work of the author. The author designed the research plan; searched and organized relevant literature; collected, processed data, made statistics, and analyzed the results; explained and summarized the obtained results, drew conclusions; proposed practice suggested under the guidance of a supervisor. The author receives all the results of the study, presented in the paper and presented for defense, personally.

Approbation of dissertation results. The main provisions and results of the research were reported and received general scientific approval at the annual scientific reports and conferences of faculty and graduate students at Sumy National Agrarian University (Sumy, Ukraine, 2019); International Scientific Conference « Modern Management Trends, Problems And Development Prospects », (Dnipro, Ukraine, 2020); 3rd ECONOMICS, BUSINESS AND ORGANIZATION RESEARCH CONFERENCE (Rome, ITALY, 2020); The International Academic And Research Internet Conference Fiftieth Economic And Legal Discussions (Liviv, Ukraine, 2020); 12th International Scientific Conference For Young Scientists Graduate Students And Students (Lutsk, Ukraine, 2020); Scientific Researches And Methods Of Their Carrying Out: World Experience And Domestic Realities (Vinnytsia, Ukraine); Advanced discoveries of modern science: experience, approaches and innovations (Amsterdam, The Netherlands, 2021); the International Scientific and Practical Internet Conference (Irpin, Ukraine, 2021); the 4th International Scientific and Practical Internet Conference of Young Scientists (Lviv, Ukraine, 2021); IFIC- practical conference (Kherson, Ukraine, 2021); The 3rd International Scientific Practice Conference (Kyiv, Ukraine, 2022).

Publications. The main results of scientific research were published in 23 scientific articles: 6 articles included in Scopus/Web of Science, 4 in international journals/Ukrainian journals, and the rest – in other journals and conference proceedings.

Structure and scope. The dissertation consists of an introduction, three sections, conclusions, and a list of references. The total volume of work is 200 pages. The work contains 36 tables and 12 figures. The references consist of 249 publications.

SECTION 1. THEORETICAL BASIS OF CG

1.1 Concepts of CG and CSR

Since the pioneering work of Berle & Means (1932), CG has been considered as a set of rules that regulate the relationship between the board of directors, shareholders, and managers. The purpose of CG is also generally considered to be "resolving agency conflicts between principals and agents". Reducing agency costs and improving FP through the CG mechanism, to maximize the interests of shareholders is the entry point for the study of the relationship between CG and FP. CSR pays more and more attention to CG and regards CG as the main means to solve social and environmental problems. This process is reflected in the gradual expansion of the scope of CG concerns in the process of corporate decision-making. It is no longer limited to shareholders but considers stakeholder groups in a wider range, including employees, consumers, communities, and governments. CG is more and more closely integrated with business practices, procedures, and policies, and there is a trend toward being "stakeholder-friendly" (Gill, 2008). Gill (2008) believes that CG and CSR tend to approach each other. CG is moving from agency to accountability, and social responsibility is moving from ethics to business judgment, and the two will meet somewhere in the middle.

The concept of CG. CG plays an important role in many aspects of corporate strategy, operations, and management, and also has an important impact on FP and CSR conduct (F. Chen *et al.*, 2020; F. Chen & Pasko, 2020). The issue of CG involves economics, management, and law, and is a typical interdisciplinary comprehensive issue. CG is divided into two parts: governance structure and governance mechanism. The governance structure includes external governance and internal governance. External governance is essentially the governance of the company by the external environment, such as the institutional environment and political resource environment. Governance structure including the board of directors, board of supervisors, and senior management. The CG attributes studied in this paper belong to the category of internal governance. After the emergence of modern enterprises, the separation of ownership and management occurred. To protect the interests of shareholders, reduce agency costs, and motivate management to perform their due diligence, the practice of CG began to emerge. Modern CG research began with Berle & Means (1932) research on modern corporations and private property rights, and discussed ownership and control rights, the core of CG, for the first time. Coase (1937) studied the nature of the enterprise, promoted the development of new institutional economics, and laid a theoretical foundation for the follow-up CG research. Williamson (1975) first proposed the concept of "governance structure", which is the closest to the meaning of CG. Jensen & Meckling (1976) first proposed the agency problem, and the relationship between shareholders and managers Agency conflict is a major issue in CG research, and this paper is considered a milestone in modern CG research. Williamson (1984) made a systematic analysis of CG and pointed out that the study of CG was gradually revived after a long silence. Tricker (1984) proposed that CG includes the way of thinking, theory, and practice of the board of directors, and summarized CG into four main activities: strategy formulation, decision execution, supervision, and accountability. Cochran & Wartick (1988) believed that CG is to solve specific problems arising from the interaction between top managers, shareholders, the board of directors, and other stakeholders of the company. The core issue is who should benefit from the company's decisions. J Wu (1994) believes that CG structure is an organizational structure composed of owners, board of directors, and senior managers. Blair (1995) believes that CG is a set of legal, cultural, and institutional arrangements related to corporate control rights and residual claims. Denis & McConnell (2003) believed that CG is the sum of the internal operation and external operation relationship of the enterprise. The CG mechanism can prompt managers to consider the maximization of the interests of the company owners when making decisions so that their personal goals and company goals tend to be consistent.

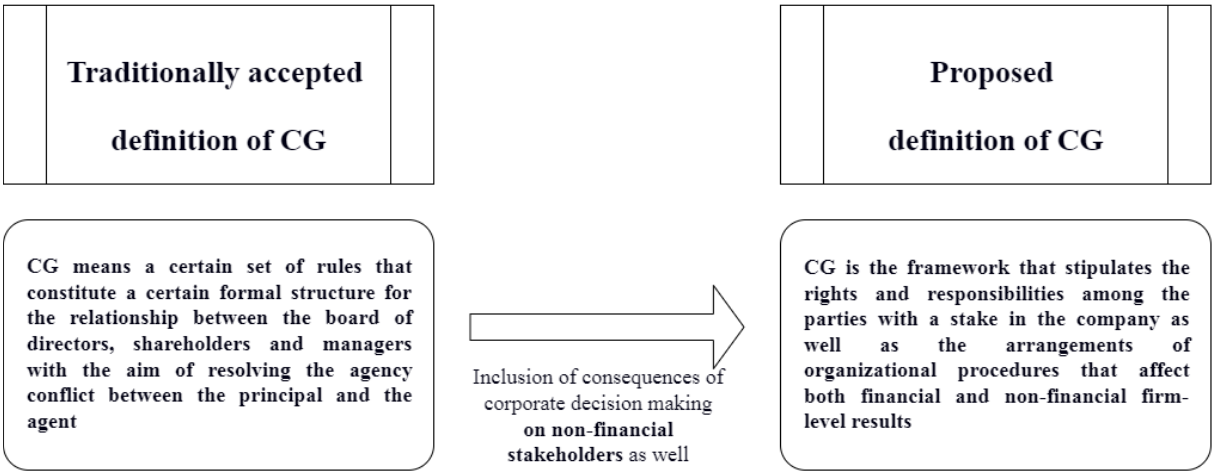


Figure 1.1 - Development of CG concepts

Source: Author's development.

Traditional CG is a set of rules that define the rights and obligations between shareholders and managers, as well as the internal mechanism of the company. This set of rules is mainly used to shape the relationship between the board of directors, shareholders, and managers to resolve agency conflicts. However, post-Enron CG has emphasized issues that go beyond this traditional focus and concern corporate ethics, responsibility, disclosure, and accountability. As companies struggle to convince regulators and investors of their full transparency and accountability, corporations are increasingly committing to principles of honest and fair CG across a wide range of business practices. At the same time, the CSR movement developed the concept of CG as a means of encouraging management to consider broader ethical considerations. CSR has benefited from the impressive progress comp anies have made over the past decades in balancing the goals of shareholders with the need to reduce externalities affecting other stakeholders. Thus, CSR has joined political efforts to make corporations more responsive to social, environmental, and social needs.

With these processes in mind, large listed companies have recently established CG mechanisms that seek to ensure investor accountability and stakeholder engagement. Such mechanisms include board committees on CSR, company divisions dealing with issues of business ethics, corporate codes of conduct, non-financial reporting practices, complaint, stakeholder dialogue channels, etc. All these management tools are created voluntarily to form what is commonly called "corporate self-regulation". At the intersection of corporate self-regulation and meta-regulation, scholars have recently pointed to a changing relationship between CG and CSR. These studies can and should be considered as signs of convergence between CG and social responsibility. On the one hand, CG is gradually becoming the basis for structuring the procedures by which the company demonstrates its citizenship and obligations to various stakeholders, as well as for satisfying the public interest in the business. On the other hand, CSR-based social coalitions increasingly focus on CG which reflects the company's integrity and long-term commitment to accountability to stakeholders.

Until recently, CG has been almost entirely aligned with shareholder preferences in these debates, mainly concerned with the structure and functioning of the board and its relationship with other corporate bodies to maximize profits. The main principle of corporatism management is built on the famous analysis of Berle & Means (1932), which described and analyzed the agency problems that arise when corporations separate the ownership rights granted to shareholders from the broad discretion given to managers about how best to maximize shareholder value. To allow shareholders to entrust their investments to managers, the business community turned to CG to reduce these agency problems. Focusing on the resolution of inter-agency conflicts, CG discourse has adopted not only the primacy of the shareholder preference model but also a legal and economic perspective on economic efficiency. This approach establishes guidelines for making business decisions based on cost-benefit analysis and a neoclassical perception of the goal of value maximization, often excluding the interests of stakeholders and ignoring externalities caused by environmental and social factors. Figure 1.1 shows Changes in the concept of CG.

Only after the big corporate scandals of the early 2000s did CG attract attention as a public policy issue. Corporate reform proposals called for lawmakers and companies to tighten controls on accounting maneuvers and increase transparency to prevent the execution is fraud. The Sarbanes-Oxley Act, which Introduced comprehensive accounting reform for listed companies and stiff penalties for noncompliance, divided business and regulatory advocates over the value of these reshaping approaches and their policy implications.

As a result, CG has gradually become a relevant process area for business, where corporate managers must make decisions with a strong internal monitoring system that primarily protects investors. In the years after Enron and WorldCom, good CG often me ant that corporate morals and ethical behavior found expression in mechanisms of accountability, transparency, and disclosure. Where there was once a private law discourse of value maximization, a more recent quasi-public law discourse has emerged in which managers use management as a synonym to de scribe duties of care, fairness and fiduciary responsibility.

Table 1.1 - Schools of CG

“Old school” CG	**“New school” of CG**
CG of the agency CG has been almost entirely aligned with shareholder preferences in these debates, mainly concerned with the structure and functioning of the board and its relationship with other corporate bodies to maximize profits.	***CG of ethics and accountability*** CG is not just about maximizing stock value but is more about the relationships between many participants (stakeholders) and the purposes for which the corporation is governed.

Source: Author’s development.

However, the agency's focus on the "old school" of CG gradually cleared the way for the "new school" of ethics and accountability (see Table 1.1). Subsequently, a new public view of the field now recognizes that CG is not just about maximizing stock value, but is more about the relationships between many participants (stakeholders) and the purposes for which the corporation is governed. Key players are shareholders, management, and the board of directors. Other stakeholders include employees, suppliers, customers, banks and other creditors, regulators, the environment, and society at large. Despite these changes toward accountability, much of the public debate and academic literature on CG, in general, is devoted to "old school" objectives. These departments recognized many trends in due process in CG. Still, they linked them primarily to the ability of the board of directors to maximize returns for shareholders who do not own any equity in the company with a stronger voice and greater proxy power). These recent changes in corporate accountability indicate a growing tension between CG and the interests of shareholders and stakeholders. As discussed below, the CSR movement plays an increasingly important role in alleviating these tensions and making CG more broadly responsive to constituents.

CG is the framework that stipulates the rights and responsibilities among the parties with a stake in the company and the arrangements of organizational procedures that affect both financial and non-financial firm-level results.

The development of the concept of CSR. Taylor (1919) pointed out that the awakening of the consciousness of the public has begun to reverse CSR, especially in limited liability companies. Society has begun to change, which has led enterprises to make concessions and responses in terms of management methods and corporate strategies. Clark (1916) believes that people generally believe that social responsibility should be undertaken by the government, not by the company. Sheldon (1924) concretized the concept of CSR based on predecessors, and he pointed out that the so-called CSR is a moral obligation for people in the industry to assume responsibility for people outside the industry. Bowen (1953) also believed that social responsibility is an obligation of entrepreneurs to the public, and no matter whether an enterprise is formulating its internal company regulations or making business decisions, it should take the initiative to undertake it at all times. McGuire (1963) first proposed that CSR is an extension of economic and legal obligations, and pointed out that in addition to undertaking economic and legal obligations, enterprises should also pay attention to issues such as social welfare, employee education, and politics. Davis (1973) summarized the reasons for enterprises to undertake social responsibility and introduced legal responsibility into the framework of CSR, which provided a basis for the later model of CSR. Carroll (1979) proposed a three-level CSR performance model, including social reflection, social issues, and social responsibility. Based on these three cornerstones, he further divides social responsibility into four dimensions and assigns weights according to the degree of importance. Carroll (1983) readjusted the definition of CSR. He believed that CSR should include four parts: economics, law, ethics, and voluntary (charity). Freeman (1984) put forward the stakeholder theory, which provides theoretical support for CSR. After that, scholars shifted the research focus from the theoretical basis to the empirical research of CSR, and the empirical research further promoted the development of CSR theory. The current theoretical and empirical research on CSR is still the focus of scholars. Wartick & Cochran (1985) proposed that corporate social performance is the result of the interaction between corporate social norms, social response processes, and corporate policies to solve social problems. Carroll (1991) went a step further based on the original research and proposed the pyramid theory of CSR. The bottom layer is the economic responsibility of the enterprise, that is, the responsibility of earning profit and other basics. The upper level is the legal responsibility of the enterprise, which mainly includes obeying the law and acting under the rules. Then there is the ethical responsibility of the enterprise, that is, the enterprise must have ethics and must do correct, just, and fair things. The top level is the philanthropic responsibility of the enterprise, which emphasizes being a good corporate citizen, investing resources in the community, and improving the quality of life of the public. Gao (1994) believes that enterprises not only have the obligation to undertake responsibilities within the company, but also have responsibilities to those outside of the company, including other stakeholders, the country, and the ecological environment. This external responsibility includes not only ensuring their interests, but also paying taxes to the country on time, maintaining national unity, maintaining a healthy ecological environment, and so on. Ning (2000) believes that enterprises have different social responsibilities to different stakeholders. Enterprises need to take mandatory responsibilities to the government, consumers, and laborers, while voluntary responsibilities to social welfare and the ecological environment. The ISO26000 "Guidelines for Social Responsibility" issued by the International Organization for Standardization believes that social responsibility is the responsibility of an organization for the impact of its decisions and activities on society and the environment through transparent and ethical behavior, and further points out that the core topics of social responsibility involve human rights, labor, and social responsibility. Regulations, environment, business practices, consumers, community, and development. W. Yang & Yang (2016) also pointed out that safeguarding the due rights and interests of stakeholders is the natural responsibility of enterprises, but in addition, it is also necessary to undertake responsibilities to the public and the ecological environment to safeguard the interests of the public.

As in the field of CG, the definition and interpretation of the term "CSR" continues to be debated. Since its emergence in the political and academic space, CSR has been associated primarily with conceptual issues raised by scholars and advocates critical of the American ethos of corporate shareholder supremacy. CSR has offered a theoretical understanding of why companies should be viewed not only as the private property of their shareholders but as quasi-public enterprises based on complex transactions and related contracts between investors, managers, and employees. For example, scholars have proposed a contractual approach to corporate law (which presents the corporation as a voluntary "bond of contracts"), as well as a realistic approach (which describes a corporation as a separate legal entity similar to a person), should not result in giving shareholders superior ownership rights over employees. Instead, they said that workers who contribute their labor to the enterprise should enjoy legal recognition of their share in the company's assets. In addition, the CSR literature has used criteria from legal and economic schools to challenge the economic rationale for shareholder centralism. Social welfare approaches to corporate law and policy suggest that business efficiency should be aimed not only at raising share prices but also at internalizing environmental and social externalities and recognizing the often unfair distributional consequences of corporate surplus creation. Critical theories were mainly based on moral arguments related to honesty, justice, and communitarianism in the social sciences. They also endorsed doctrinal approaches that rejected the exclusivity of cost-benefit analysis and excluded distributional aspects from efficiency models aimed at maximizing the dollar value of each transaction. Instead, CSR promoted stakeholder theory, considering stakeholder interests and making diverse groups of actors involved in the day-to-day management of companies.

Although some commentators still consider these conceptual challenges to be the essence of CSR, today they are more often seen as part of a general theoretical debate about corporate structure that is not directly relevant to the CSR movement. Several scholars developed these theories in the 1990s and 2000s to propose new corporate rules that go beyond CSR to specific legal norms that have legal effects. This scholarly group, often referred to as "progressive corporate law," rejects the voluntary nature of CSR, emphasizing the ethics of self-regulation, and proposes more comprehensive, mandatory changes to the basic legal structure of corporations. CSR itself took a completely different path. In many ways, it was clear from the outset that the CSR movement was not intended to challenge the market structure in which it was situated or to criticize the so-called corporate institution established in the early twentieth century. CSR was not about strengthening the New Deal welfare state or introducing egalitarian political reforms inspired by the philosophy of distributive justice. Instead, it was about working with companies in the current political and economic landscape, getting them to adopt ethical rules, align stakeholder concerns, and cover environmental and social costs more effectively. On the ground, this market-oriented approach allowed companies to choose the appropriate field for their social responsibility practices. The voluntary nature of the concept encouraged businesses to develop stakeholder engagement programs that increased their competitiveness and emphasized their humanity and democracy values as "corporate citizens" launching marketing campaigns. Businesses have also expressed s support for the idea that issues such as human rights, labor rights, and environmental protection can be accompanied by profit maximization goals. This is often referred to as the "triple bottom line," which consists of the components of people, planet, and profit.

As a result, the CSR movement was gradually absorbed into corporate ethics, which became part of a new consensus about the broader judgment that managers should use when conducting business. They are leading participants in CSR programs and public initiatives. In addition, concepts and ideas related to CSR are embedded in the curriculum of many MBA programs. CSR is also increasingly studied as a strategic too l for increasing profits, with a large body of literature in business management and economics examining the possible relationship between the implementation of CSR pro gram and improved productivity. It is not surprising that all these processes were brought together by Ronen Shamir. As CSR has become a sensitive business practice, critics point out that the real motivations for social change have been surrendered to the marketing interests of large corporations and the neoliberal logic of the private order in general. In particular, this line of criticism underscores a growing concern among academics and policy advocates that CSR has become a public relations tool. In parallel with this generalization of CSR, a wave of public interest advocacy led by regulators and NGOs is increasingly aimed at incorporating more applicable tools for monitoring corporate accountability and social responsibility. These tools include public monitoring campaigns, legal processes for human and labor rights abuses by transnational corporations, and, less commonly, "soft" legislation. These tools are aimed at improving corporate engagement with CSR by involving public groups and coalitions as participants in shaping the field.

Tensions have arisen between what have become two wings of CSR: the voluntary, which supports self-regulation, and the mandatory, which supports regulation. This growing tension makes it extremely difficult to characterize CSR with a single term, as it now refers to many Competing characteristics and concepts. As Shamir defines, CSR is "a social universe in which the meaning and scope of the term social responsibility are being negotiated." Nevertheless, it is undeniable that in today's corporate arena, CSR has completed its journey from the political fringes to the business mainstream. The movement no longer stands as a radical counterargument to profit maximization. Rather, CSR is a business strategy that aims to make the ultimate goals of corporations more achievable and transparent, to demonstrate responsibility to communities and the environment, and to consider the interests of groups such as employees and consumers when making long-term business decisions.

Based on the above analysis of the origin and connotation of CSR, it can be found that the practice and research of CSR are gradually deepening in the process of continuous evolution. Before the 1920s, scholars believed that social responsibility should be assumed by the government, not the enterprise. For the next forty years, social responsibility was considered a moral obligation. Since the 1960s, social responsibility has been considered as a legal responsibility. The stakeholder theory put forward in the 1980s has become the theoretical cornerstone of social responsibility, and the definition and measurement of CSR have shown international convergence. Later, the practice and academic research related to social responsibility became more and more abundant and gradually expanded to the level of social responsibility disclosure and social responsibility audit.

Based on the theory of stakeholders, this paper believes that CSR is the responsibility of enterprises to protect the rights and interests of stakeholders and undertake corresponding legal and moral obligations in the process of pursuing their own economic goals, and social and environmental sustainable development goals.

After clarifying the definition of CSR, the next step is to define which behaviors belong to CSR conduct, how to measure CSR conduct, and how to better fulfill CSR. In the empirical research on CSR, the measurement of CSR conduct is a difficult point. The evaluation of CSR performance also lacks a unified standard. In China, different subjects such as universities, media, and research institutions have put forward different evaluation standards according to their own needs. This paper divides CSR conduct into two levels: CSR performance and CSR disclosure, which respectively reflect the degree to which enterprises protect the rights and interests of stakeholders and the intensity of CSR information disclosure. The disclosure of CSR-related information by the company through the annual report, or the publication of independent CSR reports (sustainable development report / environmental report /ESG report / non-financial report) all belong to CSR disclosure.

According to Freeman's stakeholder model, the process of business operation is the process of interacting with stakeholders, as shown in Figure 1.2 (R. Freeman, 1984). Enterprises obtain funds from investors, obtain equipment and raw materials from suppliers, obtain labor and knowledge from employees, provide goods and services to consumers, pay taxes and fees to the government, and have an impact on the environment during the production process. The complete process constitutes the interaction between the enterprise and the stakeholders. Therefore, this paper believes that the interaction with stakeholders in the process of business operation belongs to CSR behavior.

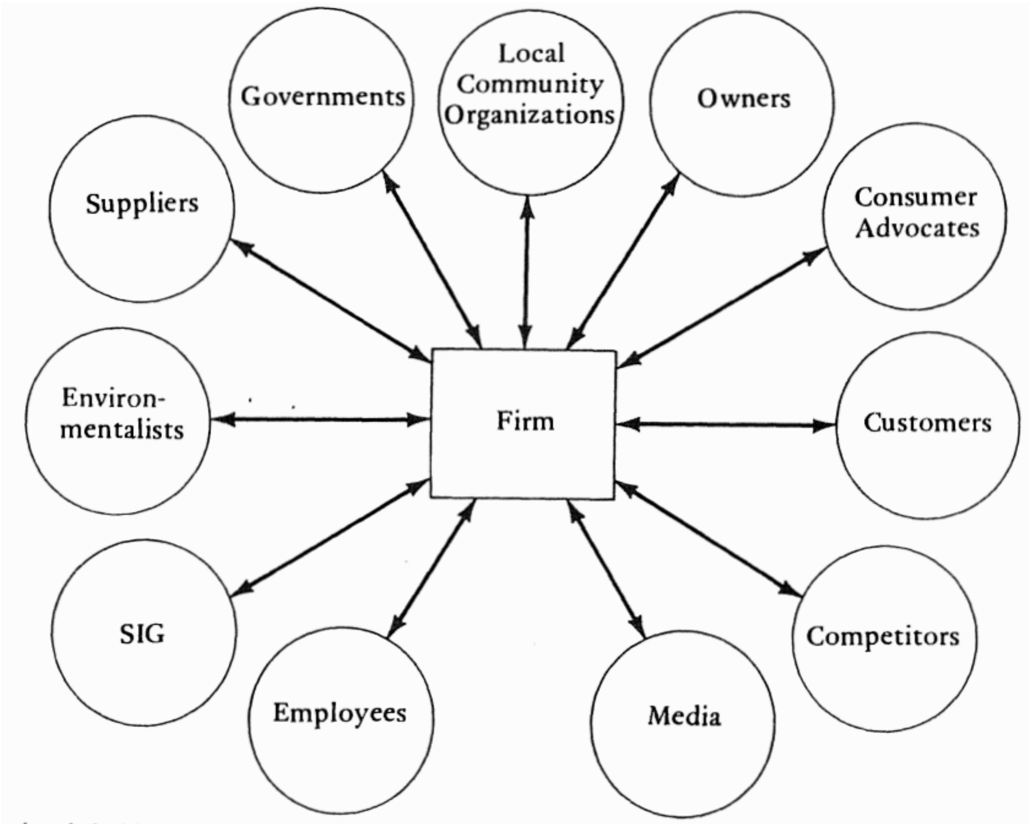


Figure 1.2 - Stakeholder view of the firm

Source: (Freeman,1984, p.25).

CSR behavior of enterprises can be divided into two types: internal orientation and external orientation. Internally-oriented CSR behaviors focus on improving the interests of stakeholders, such as improving employee treatment, strengthening consumer protection, and sharing benefits with partners. Externally-oriented CSR behaviors are often not directly related to stakeholders, such as social welfare activities, charitable donations, etc. The resources required by the two types of CSR behaviors are different, and the effects produced are also different. Internally-oriented CSR activities often require continuous use of more funds, but they are rarely publicized as "bright spots". The externally-oriented CSR behavior is often a one-time investment, and the funds used are not much, but it can be widely publicized as a "bright spot". Therefore, from an economic point of view, there is a "cost-effectiveness" difference in CSR behavior. Internally-oriented CSR behavior is "low-cost performance", while externally-oriented CSR behavior is "high-cost performance". With the development of social media and information technology, the convenience of information dissemination has reached unprecedented heights, and externally-oriented CSR behavior is regarded by some companies as an important opportunity for brand image building and integrated marketing communication (L. Wu *et al.*, 2022). Some enterprises will selectively implement externally-oriented CSR to reduce costs.

As mentioned earlier, CSR behavior includes two types internal orientation and external orientation. If the management thinks cost-saving is essential, externally-oriented CSR behavior is a better option. From a legal point of view, CSR behavior should follow the principle of "consistent rights and responsibilities" and treat stakeholders fairly. But in reality, there are some obvious counterexamples. Some companies, for example, may offer flashy employee wellness programs while mandating hard hours or cutting back on employee training. We usually refer to this kind of selective CSR behavior as "show-style" CSR. These companies evade the CSR behavior that should be completed and use another lower-cost CSR behavior to cover up. The essence of selective CSR behavior is that enterprises violate the rights and interests of some stakeholders to reduce the economic cost of CSR behavior. This paper believes that enterprises should follow the concept of "consistent rights and responsibilities", treat the interest demands of stakeholders fairly, and complete CSR completely.

Key attributes of CG. Shareholding structure refers to the proportion of shares of different natures in the total share capital of a joint-stock company and their relationship. The shareholding structure determines the allocation of corporate control rights and indirectly affects the formulation and implementation of corporate strategies. Divided according to the source of shareholders' funds, listing The company's shareholding structure is divided into three categories, including state-owned equity, institutional investor equity, and social public equity. The subject of state-owned equity is the government department representing the country, and its funds come from state-owned assets. In China, this role is assumed by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) and its affiliates. The investment activities and business activities of SOE are the embodiment of the will of the state, and the state-owned equity should not only realize the financial goals but also realize the goals related to government functions. The main body of institutional investor equity is usually an enterprise, institution, or organization with legal person status in China, as well as a Qualified Foreign Institutional Investor (QFII) outside China, and its funds, come from the institution's funds and raised funds. In the context of China's ongoing reform of SOE, the role of institutional shares is becoming more and more important and has become an important research hotspot in recent years (Pasko *et al.*, 2020a). The subject of property rights of social public shares is the individual citizen in China, and the source of funds is the legal property at the disposal of the individual.

Ownership concentration refers to the structure of the proportion of shares held by shareholders, which is used to describe the distribution of the company's shareholding structure and the stability of the company's control. Shleifer & Vishny

(1997) believed that an overly dispersed shareholding structure is likely to produce a "free ride" The problem is that management has the possibility of rent-seeking power. At the same time, over-concentration of equity also provides conditions for large shareholders and management to conspire to infringe on the rights and interests of small and medium shareholders. When equity is over-concentrated, controlling shareholders may infringe on the rights and interests of other stakeholders through "tunnels".

The board of directors is the hub and core of CG, playing the role of supervision, consultation, and resource acquisition (Y. Dang & Lu, 2014). The board of directors is an important strategic and decision-making body of the company, which is crucial to the development of the company. The board of directors accepts the entrustment of the general meeting of shareholders, is responsible for the company's daily important decision-making, and supervises, motivates, and controls the managers. Board size refers to the total number of board members. The "Company Law of the People's Republic of China" stipulates that a limited liability company has a board of directors with 3 to 13 members; a joint stock limited company has a board of directors with 5 to 19 members. Usually, board size depends on the size of the company, its industry, financial status, ownership, etc. (*Company Law of the People's Republic of China*, 2018).

Board independence generally refers to the ratio of independent directors on the board. Independent directors are also called outside directors, or non-executive directors, who are outsiders who have no direct interest relationship with the company. Independent directors are not affected by the internal personnel of the enterprise and rely on their professional knowledge and ability to perform the functions of supervision, decision-making, and providing consultation. The independent director system is to strengthen the ability of the board of directors and play a role in strengthening external supervision, protecting the rights and interests of small and medium shareholders, and protecting the interests of the public. According to the requirements of the China Securities Regulatory Commission (CSRC), board independence must reach at least one-third of the board members.

In the process of company operation, it is a common phenomenon that the chairman concurrently holds the position of general manager (CEO duality). The principal-agent theory holds that the chairman is entrusted by the company’s general meeting of shareholders to lead the entire board of directors to make decisions and supervise the senior management. The general manager is entrusted by the board of directors to act as an agent to implement decisions and accept the supervision of the board of directors and supervisory board. On the one hand, CEO duality can reduce the cost of communication and coordination, so that the general manager's business decisions can be implemented more efficiently to cope with the rapidly changing market environment. On the other hand, CEO duality will lead to the weakening of the supervisory function of the board of directors, which may increase the agency's cost.

A supervisory board is an internal organization that supervises the board of directors and the general manager, and its main functions are to safeguard the interests of shareholders, and employees, and supervise the behavior of executives and directors. The supervisory board is elected and appointed by the general meeting of shareholders, and its members include shareholder representatives and employee representatives. The "Company Law of the People's Republic of China " stipulates that a limited liability company shall have a board of supervisors, and its members shall not be less than three. A limited liability company with a small number of shareholders or a relatively small scale may have one or two supervisors and no board of supervisors. Directors and senior managers shall not concurrently serve as supervisors.

Salary incentive is a short-term incentive method, which is the most commonly used method in enterprises at present. Salary incentives can effectively enhance the enthusiasm of management and guide management to make scientific decisions in daily operations.

Equity incentives, also known as option incentives, refer to the granting of a certain amount of shares to senior executives, to link the long-term operating performance of the enterprise with the income of senior executives. When the management holds shares and becomes a shareholder, it will combine the company's interests with its interests, thereby reducing short-sighted business behavior.

1.2 Theoretical Basis and Analysis

Principal-agent theory. Berle & Means (1932) believed that there are disadvantages in the practice of the enterprise owner concurrently serving as the operator, and proposed that the enterprise should separate the management right from the ownership. In this case, the business owner retains the remaining claiming rights and transfers the operating rights to the managers, which is the prototype of the "separation of the two rights". If the enterprise is in a state of separation of two powers, the managers tend to pursue personal interests and will not put shareholders' interests first, and the principal-agent theory arises from this. The principal-agent theory is the basis of CG, and its purpose is to study the optimal contract arrangement under the condition of asymmetric information. Under the modern corporate system, enterprise ownership and control are separated, which creates two roles of principal and agent. The principal is the shareholder of the company, and the agent is the operator of the company. The principal carries out the company's operating activities through the agent, the final operating risk is borne by the principal, and the remaining claims are also owned by the principal.

The concept of principal-agent in the modern sense was proposed by Ross (1973): "If both parties, the agent, exercises certain decision-making powers on behalf of the principal's interests, an agency relationship will emerge." If the interests of the principal and the agent are inconsistent and the information they have is inconsistent, then the principal-agent problem will arise. The three basic conditions for the generation of the principal-agent problem are: 1) The principal and the agent are two mutually independent interest subjects, and both parties aim at maximizing their utility. 2) Both the principal and the agent face uncertainty and risk. 3) There is information asymmetry between the principal and the agent, and the agent's information advantage may affect the interests of the principal.

The principal-agent theory is one of the important developments of contract theory. Jensen & Meckling (1976) defined the principal-agent relationship as a contractual relationship and proposed the concept of agency cost. The company is a collection of a series of contracts, the agent exercises the management right on behalf of the principal, and the principal pays the corresponding remuneration. The principal-agent theory assumes that the principal and the agent are economic persons with self-interested goals. Shareholders invest in the establishment of the company and hope to achieve the goal of maximizing their interests. Managers pursue higher salaries, more enjoyment of job consumption, more leisure time, better personal reputation, and so on. In this case, the interests of shareholders and managers deviate, which may cause damage to the interests of shareholders. If managers are paid only for their expertise, maximizing shareholder interests may not be the only way to maximize agent interests. A common situation is that if shareholders cannot effectively monitor managers, there will be excessive agency costs. For example, when the owner is widely dispersed and the control mechanism is weak, the agent is likely to pursue personal on-the-job consumption and leisure time, which makes the operating conditions of the enterprise deviate from the goals of shareholders. Another situation is that the risks faced by shareholders and agents are different. For example, over-expansion will expand the scale of the enterprise and improve the "visible" performance of managers, but it may bring "invisible" business risks. Such operational risk will ultimately be borne by shareholders, not managers. Therefore, the main goal of the principal-agent theory is to establish an effective incentive and restraint mechanism, while restraining the agent's speculative tendencies and behaviors, and encouraging the agent to maximize the interests of the principal. Table 1.2 shows the main representatives of the principal-agent theory and its views.

Table 1.2 Main Representatives and Viewpoints of Principal-Agent Theory

Name (Year)	**Concept / Model / Theory**	**Primary contribution/perspective/interpretation**
Mirrless (1974, 1976)	Parameterized distribution formulation	1. Established the basic model and analysis framework of the principal-agent relationship; 2. based on Vickery, solve economic incentive problems such as optimal income tax more completely.
Akerlof(1970)	Used Car Market Model / Adverse Selection	Reveals the "lemon market" principle, focusing on the role of information asymmetry in it.
Spence(1972) Michael (1973)	Labor Market Modeling / Signaling	In the case of information asymmetry, the party with information will take specific actions to overcome the confusion caused by information asymmetry.
Stiglitz & Rothschild (1976) Stiglitz & Weiss (1981)	Insurance market model	The research on economic behavior in the product market, capital market, and insurance market under the condition of incomplete information explains the role of information in allocating social resources, especially the market failure caused by adverse selection and moral hazard.

Source: Author's development.

The principal-agent theory gives a good explanation of two kinds of principal-agent problems. The first is the principal-agent problem between shareholders and managers (Type I agency problem). Berle & Means (1932) mentioned in "The Modern Corporation and Private Property" that the rapid growth of the company led to the dispersion of equity, which provided conditions for the agent (manager) to control the power of the company, because The interests of managers and shareholders may not align. Jensen & Meckling (1976) pointed out that entrusting an agent will inevitably generate agency costs, and the dispersion of equity makes it impossible for shareholders to centrally exercise their rights and reach a consensus. In this case, shareholders cannot effectively influence corporate decision-making, nor can they effectively supervise managers, leading to the risk of lack of supervision. If managers want to master more resources, it will lead to excessive investment. Managers are too conservative and will avoid investing in projects with high risks and long cycles that are beneficial to the long-term development of the company. Both of these situations lead to increased agency costs, which is also known as the Type I agency problem. In addition to shareholders and agents, there are also agency problems between controlling shareholders and minority shareholders (Type II agency problems). Since small and medium-sized shareholders have a small share of capital contribution, the risks and benefits of business operations have little impact on them. Therefore, small and medium shareholders do not have enough motivation and ability to participate in the company's decision-making. In this case, major shareholders actively participate in CG and have an important impact on company management. Porta, *et al.* (Porta *et al.*, 1999) found that except for the economies with better investor protection, the ownership concentration of companies in other economies is generally higher. A large number of companies are controlled by the actual controllers with a pyramidal shareholding structure, which determines the company's management and decision-making. The difference in shareholding structure leads to changes in the interesting relationship between different stakeholders, and the focus of corporate agency issues also changes. Morck *et al.* (1988) pointed out that agency problems do not only exist between owners and management but also between major shareholders and minority shareholders. When there is a controlling shareholder (or actual controller) in the company, the business decision-making power and financial power of the enterprise will be controlled by the controlling shareholder, which will impose checks and balances on the managers, thereby reducing the agency conflict between shareholders and managers. But the agency relationship between the controlling shareholder and the minority shareholder endows the controlling shareholder with great power. On the one hand, the controlling shareholder can decisively influence the company's business decisions through the control of the general meeting of shareholders and the board of directors; Streaming rights, and using control rights to pursue private benefits. The voting rights of minority shareholders cannot influence decision-making, and their rights and interests are easily violated by major shareholders. This is also known as a Type II agency problem.

Stakeholder theory. Stakeholders refer to all kinds of subjects closely related to business operations, including not only shareholders, managers, employees, and other internal stakeholders, but also suppliers, creditors, customers, communities, governments, etc. In 1963, Stanford Research Institute first put Stakeholders are defined as " those groups without whose support the organization would cease to exist" (Dathe *et al.*, 2022; RE Freeman & Reed, 1983). Freeman (1984) believes that although an enterprise is funded by shareholders Yes, other stakeholders have also made contributions to the enterprise, so the enterprise is not unique to the shareholders. The enterprise not only needs the equity investment of the shareholders but also needs to obtain funds from the creditors, so the enterprise must allow the creditors to obtain the due returns. Enterprises need the labor of employees to complete production and business activities, so employee benefits, safety, and health should also be guaranteed. Enterprises sell products to consumers through the market and need to be responsible to consumers. At the same time, enterprises need a fair and just market environment, so they must be responsible for competitors and upstream and downstream cooperative enterprises in the supply chain. Enterprises use public resources provided by the government, such as a safe environment, an orderly market, reasonable trading rules, clean water sources, stable electricity, clean air, etc. Therefore, enterprises must also pay back to the government and the community in terms of tax payment, charity, and public welfare. The economic interests of shareholders are part of the whole, and the purpose of business operations cannot be just to maximize the interests of shareholders Instead, it should be the best configuration of the interests of all stakeholders. Freeman defines "stakeholders" in a broad sense as individuals who can have an impact on the business organization's operating goals and are relatively affected by the reactionary force of this influence at the same time Or groups. This description focuses on the interaction between the two.

Since the 1990s, the theory of stakeholders has been increasingly closely related to the idea of CSR and has received extensive attention from researchers (Pasko, Chen, Oriekhova, *et al.*, 2021). Waddock & Mahon (1991) discussed the two together, and proposed that the stakeholder theory can answer the question of "who should the enterprise take responsibility for?". He believes that stakeholder theory is the most directly relevant theoretical tool for studying CSR issues. Roberts (1992) believes that stakeholder theory can be well used to analyze corporate CSR behavior and disclosure, and the level of disclosure depends on the previous company's operating performance, stakeholder power, and the strategic factors that companies adopt for social responsibility. ME Clarkson (1995) found that after the introduction of stakeholders, CSR can be subdivided into different groups. The characteristics of each interest group are different, and the corresponding responsibilities also have their characteristics. Such a decomposition facilitates the cognition and measurement of social responsibility. The introduction of the stakeholder theory helps researchers clarify The scope of the term "society" and has inspired researchers to measure the performance of CSR. Since then, researchers have used the relationship between stakeholders to measure the scope of CSR activities, making the concept of "CSR" a clearer goal in reality. Mitchell *et al.* (1997) The key basis for identifying stakeholders is given. First of all, whether the stakeholder can make the company act according to his wishes. Secondly, whether the interest exchanges and business behavior between the stakeholder and the company are recognized in the social public values, that is, whether they have social legitimacy. Third, whether the stakeholder’s reasonable demands on the enterprise can be responded to on time. When the company can respond to the interests of a certain group on time, make changes or adjustments, and the relationship between the company and the group Interest exchanges are recognized by the public, and such groups can be called stakeholders of the company. Chang (2003) believes that the survival of an enterprise cannot be separated from stakeholders, and the development process of a company is a process of cooperation with various stakeholders. The process of long-term cooperation with stakeholders. The concept of stakeholders can help companies clarify the needs of stakeholders and identify which needs are closely related to the core business of the company. The debate around the concept of stakeholders is ongoing and updated with the times. Table 1.3 shows some representative stakeholder definitions.

Table 1.3 - Definition of stakeholders

Proposer (Year)	**Definition**
Stanford Institute (1963)	Stakeholders are those individuals or organizations on which a business depends for its survival and growth.
Rhenman (1964)	Stakeholders need to accomplish their goals through corporate behavior, and at the same time, enterprises also need stakeholders to survive and develop.
RE Freeman & Reed (1983)	Stakeholders are the individuals and organizations upon which the business must depend.
Freeman (1984)	Stakeholders are individuals or organizations that affect or are affected by corporate behavior.
Freeman, et al. (1987)	Stakeholders are those who can interact with the business.
Cornell & Shapiro (1987)	Stakeholders should enter into a contract with the enterprise.
Evan & Freeman (1988)	Stakeholders' interests are closely related to corporate activities, and the interests of stakeholders will also be reflected in corporate activities.
Alkhafaji (1989)	Stakeholders are those to whom the business is accountable.
RE Freeman & Evan (1990)	Stakeholders are individuals or organizations that have a contractual relationship with the enterprise.
Thompson et al. (1991)	Stakeholders are people who have a particular relationship with the business.
Hill and Jones (1992)	Stakeholders have a mutual relationship with the enterprise; that is, stakeholders will invest critical resources in the enterprise. At the same time, stakeholders have the right to claim benefits from the enterprise.
Freeman (1994)	Stakeholders are individuals or groups that jointly participate in the creation of corporate value.
M. Clarkson et al. (1994)	Stakeholders have invested capital in the business and bear the risk accordingly.

ME Clarkson (1995)	Stakeholders are those individuals and organizations that have control over the enterprise and its interests.
T. Donaldson & Preston (1995)	Stakeholders are individuals and organizations that have a legitimate interest in the business.

Source: Author's development.

The most significant difference between stakeholder theory and principal-agent theory is that this theory holds that the main body of enterprise property rights is all stakeholders. Therefore, stakeholders other than shareholders also have residual control rights and residual claim rights. The stakeholder theory needs to be combined with other theories to fully understand the theoretical logic contained in CSR. The social contract theory holds that enterprises and the implicit contract in society are the premises for enterprises to weigh their social interests. Stakeholder theory refines the balance between corporate interests and social interests to all stakeholders.

Stakeholders have different identities, resulting in different interest demands, which are also the goals of enterprises to fulfill their social responsibilities. Table 1.4 shows common stakeholders and their main interests.

Table 1.4 - Main interest and demands of different stakeholders

Stakeholders	**Primary interests**
Shareholder	Higher return on investment, good corporate image, long-term development of the company, employee loyalty, and small residual risk of the company
Creditor	Small investment risk, high interest, long-term development of the enterprise, and timely return of the principal
Staff	Salary, job stability, general promotion opportunities, benefits, working environment, human capital improvement, long-term corporate development
Supplier	Stable needs of enterprises, timely recovery of payment, long-term development of enterprises, participation in enterprise management
Consumer	Qualified product quality, good after-sales service, corporate reputation, reasonable product price, long-term development of the company
Government	Provide employment opportunities, strengthen environmental protection, tax revenue, long-term development of enterprises, and actively participate in public welfare behaviors

Source: Author's development.

Information asymmetry theory. Information asymmetry theory, as an important branch of micro information economics, has been widely concerned. Traditional economics assumes that all parties to a transaction have complete information, and the status of both parties is equal. However, in reality, it is impossible to have complete information, and this assumption of traditional economics does not hold. The basic assumptions of information asymmetry theory include two: one is that the two parties have asymmetric information (one party has more information than the other), and the other is that the two parties know each other's position in information possession. According to whether it occurs before or after the event, information asymmetry is divided into two situations. If the pre-information is incorrect, it is defined as Adverse Selection, and if the post-event information is incorrect, it is defined as Moral Hazard. Under the basic assumption of a rational economic man, the party with more information will conceal unfavorable information for its benefit and harm the interests of the counterparty, thereby affecting the operating efficiency of the market. After the traditional economic theory matured, economists began to question the assumptions of traditional economic theory and conducted a series of research. like Hayek (1945) believed that information in the market is decentralized, rather than complete and symmetrical. Baumol (1959) divides information into symmetric information and asymmetric information. Simon (1956) believes that the bounded rationality of market participants is the cause of incomplete information, and the decision-making process of market participants is the process of information collection, evaluation, and selection. Akerlof (1978) systematically analyzed the adverse selection problem in the commodity market due to the information asymmetry between the two parties in the "Lemon Market: Uncertainty and Market Mechanism".

The theory of information asymmetry holds that in market transactions, due to the influence of factors such as uncertainty, ability to obtain information, division of labor, and specialization, the information about transactions held by both parties is asymmetric and incomplete. Typically, the party with more information is at an advantage and the party with less information is at a disadvantage. Information, like land and capital, is an important factor of production, and the advantage obtained by owning information in transactions is a kind of information rent. Both parties to the transaction obtain different benefits and bear different risks due to different information.

In real life, information asymmetry exists objectively and cannot be eliminated fundamentally, so the theory of information asymmetry has been widely used. In modern companies, the problem of information asymmetry exists widely, which has a negative impact on CG. The adverse selection problem caused by the information asymmetry between the company and the manager candidates hinders the company from hiring excellent senior managers. There is an information asymmetry between the company's shareholders and the manager. The manager directly participates in the company's operation and management and has a complete grasp of the company's situation, while the company's small and medium shareholders are in a weak information position. Because the goals of managers and shareholders are inconsistent, managers will take actions that maximize their interests rather than shareholders' interests, and this information asymmetry damages the interests of shareholders (this is also known as the Type I agency problem). There is also a certain problem of information asymmetry between the major shareholders and small and medium shareholders of the company. The major shareholders hold a relatively high shareholding ratio and have the ability and motivation to grasp information. Small and medium-sized shareholders hold a relatively small proportion of shares and have little information about the company. When the company's internal control problems are serious, large shareholders will encroach on the interests of small and medium shareholders (this is also called the Type II agency problem). There is also a certain information asymmetry problem between the company and other stakeholders. For example, the company has an advantage in information about the products or services it provides, while customers and consumers are in a weak position. The company is in an advantageous position for its environmental protection information, while the community is in a weak position for its environmental protection information. Reducing the degree of corporate information asymmetry is an important guarantee for effective CG and reasonable system design and arrangement is an effective way to reduce corporate information asymmetry. Information asymmetry can occur before or after the contract is concluded. At the same time, asymmetric information may be concealing information or concealing behavior. Table 1.5 shows what happens in the case of information asymmetry.

Table 1.5 - Summary of information asymmetry and its problems

Content / **Time**	**Hidden Action**	**Hidden Information**
Before the contract	--	Adverse selection model Signaling model Signal discrimination model
After the contract	Moral hazard model of hidden action	Moral hazard model of hiding information

Source: Author's development.

In the process of CSR, some companies will choose externally-oriented CSR behaviors instead of internally-oriented CSR behaviors to save economic costs. Zou & Wu (2015) found that private enterprises are more involved in charitable activities, while SOEs pay more attention to employee welfare. An unsound market system environment encourages enterprises to carry out charitable activities, while a relatively sound market system environment encourages enterprises to strengthen employee welfare. Charity activities often only require a one-time investment, and can also beautify the brand image through media reports. However, improving employee welfare is a huge long-term investment, and generally cannot be the focus of external publicity. This is also a phenomenon in which enterprises use information asymmetry to reduce costs.

CG arises from the separation of modern corporate ownership and management rights and is co-existing and integrated with CSR (Hanxiang, 2012; Marsiglia & Falautano, 2005; C. Wang, 2007; Yi, 2011; Yun & Gao, 2005). Effective CG is the basis and approach to promoting CSR (Hancock, 2005). CG mainly solves the problem of efficiency, and a good CG system and governance mechanism can improve the operating efficiency of the company. The fulfillment of CSR solves the problem of fairness. The fulfillment of CSR is the embodiment of fair treatment of all stakeholders. Only by focusing on efficiency and taking into account fairness can the enthusiasm, initiative, and creativity of all stakeholders in the enterprise be fully mobilized to maximize the value of the company. CSR is a relatively abstract concept, and the fulfillment of CSR must be resolved through institutional arrangements for CG (Cordeiro *et al.*, 2018). Adjusting the internal governance structure and mechanism and optimizing the external governance environment can promote enterprises to better fulfill their corporate social responsibilities (Z. Zhang, 2008). Reconstructing the CG structure and CG mechanism based on the concept of CSR is conducive to mobilizing the enthusiasm and initiative of corporate stakeholders to participate in CG, thereby facilitating the fulfillment of CSR (Y. Wang, 2009). Table 1.6 compares the difference between CG and CSR.

Table 1.6 - Comparison of CG and CSR

Aspect	CG	CSR
Primary focus	Shareholder interest	Various groups of stakeholders
Problems to be solved	Principal-agent conflict Principal-principal conflict	The conflict between business and society and between business and the environment
Main task	Investor protection, value creation, transparency	Incorporation of stakeholder interest in companies operation, transparency
Dominant performance dimension	Financial	Social and environmental
Formalization	High (reporting standards, guidelines, hard and soft law, fiduciary duty)	Low (recommendations, guidelines, green papers)
Shortcomings	Short-term orientation, risk of abuse Guidelines and regulations do not solve the fundamental problems	Lack of regulation, weak accountability to stakeholders (no fiduciary duty)

Source: Based on (Aluchna & Roszkowska-Menkes, 2015,p.41)

1.3 Literature review

The relationship between CG and FP.

(1) The relationship between state-owned shares and FP. State-owned holding companies can rely on administrative means to more easily obtain market monopoly or market access qualifications, thereby obtaining excess profits (Kole & Mulherin, 1997). In addition, state-owned shares can provide enterprises with access to advantageous resources and preferential policies. Many conveniences. State-owned equity provides government credit endorsement for listed companies. With the support of government credit, companies are more likely to obtain comparative advantages in areas such as obtaining external financing and project bidding investment (Che & Qian, 1998). Y. Liu *et al.* (2011) found that an increase in the proportion of state-owned shares will promote the development of the company because the concentration of state-owned shares is positively related to the convenience of agent supervision. H. Ren (2011) analyzed the data of listed companies in China's manufacturing industry and found that the property rights of state-owned holdings negatively adjusted the relationship between R&D investment and corporate performance. M. Xu & Wang (2012) analyzed China's high-tech listings The moderating effect of the company's shareholding structure on the relationship between R&D investment and corporate performance and found that state-owned holdings have a negative moderating effect on the relationship between R&D investment and corporate performance. Y. Li & Li (2013) used Chinese listed companies Panel data found that the lower the proportion of state-owned shares, the higher the performance of the enterprise. Q. Chen (2015) found that the "absence of owners" of state-owned shares made the company unable to form a sound supervision and management mechanism, resulting in a decline in FP. An & Zhong (2011) analyzed the data of 373 listed companies in China’s A-share manufacturing industry and found a “ U- shaped” relationship between the proportion of state-owned shares

and company performance. J. Li & Jiang (2011) analyzed the data of 779 listed companies in China's A-share manufacturing industry and found that the proportion of state-owned shares and the company's performance level have a nonlinear " U-shaped" relationship. H. Li & Zhou (2013) found that companies There is an inverted U- shaped relationship between profitability and the proportion of state-owned shares. Shu & Chen (2014) studied the impact of the interaction effect of governance structure and R&D investment on the business performance of listed companies in China's manufacturing industry and found that the impact of SOE's R&D investment on business performance was not significant. L. Ren & Ni (2014) found that the relationship between the proportion of state-owned shares and the performance level of enterprises is nonlinear, and 31.13% is the optimal point for the proportion of state-owned shares. Ji & Dong (2016) used According to the panel data of Chinese gas and water companies from 2004 to 2014, it is found that the proportion of state-owned shares in these companies has a significant " U" -shaped relationship with the company's FP.

(2) The relationship between institutional shareholding ratio and FP. Some scholars believe that institutional investors rely on their information, talents, technology, and management experience to supervise the behavior of managers, improve CG structure, and improve corporate performance at a relatively low cost. At the same time, the increase in the scale of institutional holdings will increase their participation in the board of directors and the probability of the general meeting of shareholders, by actively and proactively participating in the governance of listed companies and checking and balancing the behavior of managers, it is possible to overcome the common "free rider" problem of small and medium shareholders in CG (Binay, 2005; Mizuno, 2010; Shen *et al.*, 2016; S. Sun *et al.*, 2015). McConnell & Servaes (1990) studied the relationship between the institutional shareholding status of US-listed companies and Tobin's Q and found that institutional shareholding is positively correlated with company value. This shows that company value is affected by the shareholding structure, and institutional shareholding can Improve the CG

level of listed companies and promote their value increase. Lou (2002) took the listed companies held by securities investment funds from 1998 to 2000 as samples, found a positive correlation between the shareholding ratio of funds and listed companies' Tobin's Q. X. Xiao & Wang (2005) took the shareholding situation of securities investment funds of 2,338 listed companies from 2000 to 2003 as a sample, studied institutional shareholding and FP, found that companies with institutional holdings have better CG and better FP. They believe that institutional investors prefer to choose high-quality companies, and institutional investors also enhance the company's CG level and corporate value. Mu & Zhang (2008) verified the above conclusions again based on updated data and found that the proportion of institutional ownership can promote Tobin's Q of industry adjustment of listed companies and the earnings per share of listed companies. Pasko *et al.* (2020b) used the panel data of listed companies in China's logistics-related industries from 2013 to 2019, taking ROA as the proxy variable of performance, and verified that the proportion of institutional ownership is significantly positively correlated with company performance. Some scholars believe that institutional investors pursue short-term financial investment concepts and are less motivated to participate in CG, which will reduce corporate performance (Y. Fu & Tan, 2008; Song *et al.*, 2012). Burkart *et al.* (1997) found that if institutional investors have a constraint threat, they may reduce managers' efforts. Managers may reduce their efforts beforehand if they expect that the project they are working hard on may be rejected by institutional shareholders. Institutional investors may also reduce their efforts after investment., to take some actions that benefit the institutional investors themselves but harm the interests of other shareholders.

(3) The relationship between ownership concentration and FP. Grossman & Hart (1980) found that in the case of dispersed ownership, minority shareholders generally tend to "free ride". The dispersed shareholding structure is not conducive to shareholders' effective supervision of the company's management and is not conducive to improving the company's value. Shleifer & Vishny (1986) pointed out

that the existence of large shareholders overcomes the “free rider” problem to a certain extent, and alleviates the information asymmetry between external shareholders and management. Jensen (1993) found that In the case of high ownership concentration, major shareholders will increase the company's value by reducing agency costs to protect their interests. Hui *et al.* (2012) believe that a high degree of ownership concentration is conducive to large shareholders deciding the company's strategic choices according to their wishes, and improving performance by strengthening control over the company. Q. Wu *et al.* (2017) analyzed the small and medium-sized board companies and finally selected an effective sample size of 188. The results once again confirmed the research concluded that a high degree of concentration will promote the improvement of corporate performance. X. Liu & Xie (2011) pointed out a significant positive correlation between the concentration and value of equity when studying the concentration and value of equity. The value of equity reflects the current performance level of the company. H. Zhang (2000) pointed out that ownership concentration is positively correlated with corporate performance measured by Tobin’s Q value. Zhu & Song (2001) research results show that equity measured by the proportion of the largest shareholder Concentration is positively correlated with corporate performance. Yan (2012) believes that major shareholders’ equity returns are greater than the cost of supervision, so they will be more active in effectively supervising and motivating the management to improve corporate performance in the long run. X. Li (2013) analyzed the cross-sectional data of China’s A-share listed companies and proposed a positive correlation between ownership concentration and corporate performance. Leech & Leahy (1991) passed Research on British corporate value and found a significant negative correlation between ownership concentration and corporate value and profit margins. Q. Zhang *et al.* (2012) found that ownership concentration has a negative to moderate relationship between R&D investment and corporate performance, while equity checks and balances significantly positively moderate the relationship between R&D investment and corporate performance. W. Lan & Wei (2010) found that the largest shareholder's shareholding ratio and corporate performance Negatively correlated, while the shareholding ratio of the top five shareholders is positively correlated with company performance. Pasko *et al.* (2020b) used data from 2013-2019 on the relationship between the shareholding structure and FP of listed companies in China's logistics industry The results show that the shareholding ratio of China's largest shareholder is significantly positively correlated with FP. McConnell & Servaes (1990) found an inverted U- shaped relationship between Tobin's Q value and the equity of internal shareholders of the company. Du & Liu (2002) found a significant inverted U- shaped relationship between ownership concentration and corporate performance. Cao *et al.* (2007) found a significant relationship between ownership concentration and FP. U- shaped relationship. X. Wang & Chen (2014) found that an excessively high shareholding ratio of major shareholders will reduce corporate performance, but an increase in the shareholding ratio of the top five shareholders is positively related to corporate performance. Xiong & Huang (2016) showed a non-linear relationship between ownership concentration and corporate performance. Y. Zhou (2012) used the data of 503 companies in China's Shanghai and Shenzhen stock markets and found a non-linear relationship between Tobin's Q and ownership concentration. Linear relationship. Demsetz (1983) believed that ownership concentration and equity composition are the results of shareholders seeking to maximize their interests. The shareholding structure composed of ownership concentration and equity composition is endogenous, and there is no significant relationship between the shareholding structure and corporate performance. Correlation. Holderness & Sheehan (1988) compared the operating performance of companies with absolute controlling shareholders and companies with relatively dispersed equity and found no significant correlation between corporate performance and Tobin's Q value. Y. Wang & Guo (2015) conducted a study on listed companies in China's pharmaceutical industry and found that the correlation between ownership concentration and corporate performance was not significant.

(4) The relationship between board size and FP. Drakos & Bekiris (2010)

believed that board size has a positive relationship with the supervision of senior executives. The larger the board size, the better it can control the self-interest tendency of the management, reduce agency costs, and achieve the goal of improving performance. Dedu & Chitan (2013) took the Bank of Romania as the research object and took the relevant data from 2004 to 2011 as a sample, and came to the conclusion that the larger the board size, the higher the benefits of the enterprise. Y. Wang (2011) found that board size has a significant positive correlation with FP. F. Sun *et al.* (2010) took the data from 2001-2007 as a sample and adopted The results show that board size is negatively correlated with the growth rate of the main business. X. Fu (2012) took 50 listed companies in Taiwan as the research object and found that the board size was significantly negatively correlated with FP. Bhagat & Bolton (2008) believed that too large a board size does not meet the cost According to the benefit principle, too many members will increase the cost of communication, coordination, and decision-making. Mamatzakis & Bermpei (2015) used the data of US investment banks to analyze and found that the performance level of enterprises increased with the reduction of the number of board members. Gohar & Batool (2015) studied the relevant data of Pakistani companies from 2005 to 2009 and found that board size is negatively correlated with FP. Coles *et al.* (2008) believe that the board size will have different impacts on company performance due to the complexity of the company structure, and there is no fixed relationship. D. Yu & Chi (2004) believed an inverted U- shaped nonlinear relationship between board size and FP. Lipton & Lorsch (1992) believed that the larger the board size, the stronger the ability to control the company, but the increase in the board size will bring about an increase in communication and coordination costs. When the increased expenses exceed the income, the performance of the enterprise will decline. X. Dang *et al.* (2013) found through empirical analysis that with the increase in the number of boards of directors, the performance level of enterprises first increases and then decreases, which is an inverted U- shaped change. X. Wang & Zhao (2002) conducted an empirical analysis using data from 407 listed companies in China and found no significant correlation between board structure and

FP.

(5) The relationship between board independence and FP. Thomsen (2006) believes that independent directors can maintain objectivity and independence in the company's business decision-making, only focus on the interests of the company without being influenced by executives, and put forward opinions that are more beneficial to the company than internal directors. Qu, Zhang, *et al.* (2014) believe that independent directors can help companies coordinate social relations, obtain industry information, integrate resources, enhance the ability to deal with external uncertainties and optimize CG and corporate performance. D. Shi (2014) analyzed the data of China's A-share listed companies from 2009 to 2011 and found that listed companies with a high board independence have better FP. Independent directors are characterized by their objectivity and independence, to provide supervision and consultation for the company, and protect the rights and interests of investors. Omran *et al.* (2008) found that independent directors can restrict internal directors and managers, and increasing the board independence is conducive to improving corporate performance. W. Li & Xu (2014) used data of 1,329 A-share listed companies in China from 2007 to 2012 and found that independent directors can play a supervisory role and effectively alleviate the negative impact of the new general manager's radical business behavior. C. Li & Lai (2004) took companies listed on the Shanghai Stock Exchange as a research sample and found that board independence is negatively related to company performance. Deng & Zhou (2012) analyzed the data of listed companies in China from 2003 to 2010, showing that increasing the board independence will significantly increase the probability of company violations, which is not conducive to performance improvement. Dong & Zhang (2015) selected 1,272 listed companies in China from 2001 to 2010 as samples for analysis and found that the board independence on the board of directors was significantly negatively correlated with ownership concentration. Hermalin & Weisbach (1991) believed no significant correlation between board independence and Tobin's Q, and found no positive correlation between other performance indicators and Tobin's Q. He &

Zhang (2002) found that a relationship between independent directors and Tobin's Q value is not significant, which may be limited by the board of directors and managers, so independent directors cannot play a role. Y. Lan & Wang (2010) took the listed companies in Anhui Province, China To study the sample, this paper conducts an empirical analysis of the relationship between board governance and corporate performance and finds that board independence has no significant impact on corporate performance. Pasko, Chen, & Wang (2021) surveyed the data of listed agricultural companies in China from 2008 to 2017 and found that the independence of the board of directors has no significant impact on the ROA of listed agricultural companies.

(6) The relationship between CEO duality and FP. Boyd (1995) analyzed the data of 192 listed companies in 1980 and found that CEO duality was positively correlated with ROI. D. Yang (2013) believes that concurrently serving as CEO duality in China is conducive to improving the company's decision-making efficiency and helping companies to improve performance. Shahrier *et al.* (2020) also confirmed the same result using the data of companies listed on the New Zealand Stock Exchange. Hu & Izumida (2008) found that CEO duality is positively related to corporate performance. From the perspective of business operation, they believe that CEO duality can help the company adapt to the changing external environment, and strengthening the authority of the general manager can improve the decision-making efficiency and innovation ability of the company. Fahlenbrach & Stulz (2009) believe that CEO duality can Improve the efficiency of the board of directors, and the speed and quality of information communication, thereby improving FP. T. Yang & Zhao (2014) found that CEO duality can save information costs, promote rapid decision-making, and thus improve performance. The survey results of Pasko, Chen, & Wang (2021) on Chinese listed agricultural companies show a significant positive correlation between CEO duality and ROA. Harris & Raviv (2008) believed that the chairman and general manager should be held by different people, which can strengthen supervision, avoid excessive power of the general manager, and

effectively improve corporate performance. Some scholars also believe that CEO duality leads to excessive concentration of power, The chairman (general manager) will harm the interests of other stakeholders and the value of the company for personal gain (Gong, 2004; B. Li *et al.*, 2005). Xiong & Peng (2012) think that CEO Duality has little impact on business operations because Chinese listed companies lack an independent and complete group of professional managers. Arora & Sharma (2016) used the data of Indian manufacturing companies from 2001 to 2010 for analysis, and the results showed that CEO duality has no impact on FP. Puni & Anlesinya (2020) used the data of listed companies in Ghana from 2006 to 2018 to conduct an analysis, and the results showed that CEO duality has no impact on FP. The results of empirical analysis by Donaldson & Davis (1991) cannot support the significant correlation between CEO duality and performance.

(7) The relationship between the supervisory board size and FP. S. Jiang & Jiang (2006) analyzed the data on the size of the current board of supervisors, salary incentives, equity incentives, and the proportion of external supervisors of listed companies in China, and found that the scale of the supervisory board of listed companies in China is generally small, suggesting that listed companies expand supervisory board Size. X. Cheng & Wang (2008) analyzed the data of 1,162 Chinese listed companies and found that the supervisory board size was significantly positively correlated with company performance. X. Cheng & Wang (2006) took listed companies as the analysis object and analyzed the relevant report data. The research results show that the number of supervisory board members and the company's performance level change in the opposite direction. Zheng *et al.* (2010) analyzed the data of all 25 state-owned listed companies in Henan Province, China, and found that the supervisory board size of SOE in Henan Province is negatively related to company performance. Y. Wang *et al.* (2009) believe that the supervisory board size is negatively related to business performance. J. Sun & Sun (2005) analyzed the data of 63 listed companies in Zhejiang, China, and found no significant correlation between the number of supervisors, supervisors' shareholding ratio,

supervisors' compensation, and other factors, and corporate performance. Y. Jiang & Xiong (2006) conducted an empirical analysis of the data of 1,349 listed companies and found that the supervisory board size has no significant relationship with company performance. Yuan *et al.* (2006) conducted an empirical study on the impact of the structural characteristics of the board of directors and board of supervisors of listed companies in China on the company's performance and found that the supervisory board size, the number of meetings of the supervisory board, the shareholding of supervisors, and the educational background of supervisors have a significant impact on the company's performance. performance was not significantly affected. S. Shi & Lin (2007) conducted an empirical analysis of the characteristics of the supervisory board and business performance of listed companies in China's SME sector and found that the supervisory board size does not affect business performance. X. Li (2013) used the data of 2,274 A-share listed companies in China in 2011 to analyze the relationship between shareholding structure, board governance, board of supervisors, and corporate performance and found that the supervisory board size had no significant impact on FP. Qing (2008) used the data of A-share listed companies from 2000 to 2004 to conduct an empirical analysis of the relationship between the characteristics of the supervisory board and the corporate performance of Chinese listed companies. It is found a U- shaped relationship between the size (number) of the supervisory board and corporate performance.

(8) The relationship between executive compensation and FP. The research results of X. Xu *et al.* (2007) show a significant negative correlation between executive compensation and agency costs, that is, giving managers equity incentives and salary incentives can reduce the company’s agency costs. cost, thereby improving company performance. Z. Li (2015) analyzed the data of listed companies in Shanghai and Shenzhen from 2005 to 2012 and found that executive compensation is positively correlated with corporate performance. The company formulates clear business goals for senior managers and core technicians and links them with incentive measures so that the personal interests of managers and technicians can be

aligned with the interests of the company. Hall & Liebman (1998) found that management Layer salary incentives and equity incentives have a positive effect on corporate performance. Murphy (1985) conducted a study on 461 executives of the largest listed manufacturing companies in the United States from 1964 to 1981. The research results showed that executive compensation was positively correlated with the two financial indicators of the company's stock price and sales revenue. X. Liu *et al.* (2016) found that the intensity of salary incentives has a positive impact on FP. Jensen & Murphy (1990) analyzed the relationship between CEO compensation and corporate performance and found no significant Correlation. Z. Li (2000) conducted an empirical study using the data of listed companies in China and found a significant positive correlation between the compensation of company executives and company size, rather than company performance. In other words, incentives such as salary or equity do It will directly stimulate the efforts of executives, but most of these actions are blind and short-term profit-seeking, which only leads to the expansion of the company's scale and does not improve the company's performance. W. Sun (2006) selected The 406 companies listed in Shanghai and Shenzhen that were analyzed using the data of 2003 and 2004 as samples, and it was found no significant correlation between the company's operating performance and the salary of senior managers.

(9) The relationship between management shareholding and FP. Feng & Zhao (2012) used the panel data of A-share listed companies from 2005 to 2010 to conduct an empirical analysis of the relationship between managers' annual salary, equity incentives, on-the-job consumption, and company performance. The results show a substitution relationship between managers' shareholding ratio and on-the-job consumption, and the increase in managers' shareholding ratio can inhibit on-the-job consumption and improve corporate performance. D. Chen & Liu (2010) researched the small and medium-sized enterprises listed on the Shenzhen Stock Exchange and found that executive compensation and shareholding ratio are positively related to the company’s FP. C. Li & Zhang (2014) An empirical study of privately-owned listed

companies in Shanghai and Shenzhen Stock Exchanges from 2008 to 2011 found that the degree of management equity incentives is significantly positively correlated with company performance and that incentives for management equity can help improve company performance. Himmelberg *et al.* (1999) found an inverted U- shaped relationship between management's shareholding and corporate performance. As the proportion of management's shareholding increases, corporate performance first increases and then decreases. X. Li *et al.* (2014) found in the study of privately-owned listed companies that management equity incentives have a positive effect on corporate value within a certain range, but exceeding a certain percentage will damage the listed companies. company value.

CG attributes and CSR conduct. The relationship between CG and CSR conduct, scholars at home and abroad have conducted theoretical and empirical studies, but there are still debates. Due to the differences in the institutional backgrounds of countries or regions, scholars choose research perspectives, research objects, research areas, and The different time intervals and the differences in the measurement indicators of CSR fulfillment did not draw consistent conclusions. Under the background of China's emerging market economy and transitional economy, the relationship between CG and CSR conduct still needs to be further tested.

(1) The relationship between shareholding structure and CSR conduct. Lv (2006) found that the proportion of state shares and legal person shares are positively correlated with taxation and other social responsibilities, and have an inhibitory effect on the company’s violations of discipline and law. The proportion of executives’ shareholding is significantly positively correlated with CSR. X. Yu & Cheng (2010) conducted an empirical study on listed companies in China’s petrochemical plastics industry in 2008 and found that the proportion of state-owned shares was positively related to the disclosure of CSR information. Oh *et al.* (2011) used South Korea’s 118 According to the analysis of the data of a listed company, it is found that the proportion of institutional ownership and the proportion of foreign ownership are

positively correlated with the performance of CSR, while the proportion of senior executives is negatively correlated with the performance of CSR. Farinha & López-de-Foronda (Farinha & López -de-Foronda, 2009) believe that when the actual controller of the company is an individual or institutional investor, they will infringe on the interests of other stakeholders through the "tunnel". CSR Poor performance. J. Li & Wei (2015) conducted an empirical study using the data of 606 listed companies in China in 2012 and found that state-owned holdings and overseas listing experience were significantly positively correlated with CSR fulfillment. The supervisory board size and the audit committee have no significant correlation with the fulfillment of CSR.

(2) The relationship between ownership concentration and CSR conduct. Jaiswal (2008) used data from European listed companies and found that ownership concentration is positively related to CSR. Z. Xiao & Yang (2011) used data from Chinese listed companies to find that ownership concentration, board independence, executive incentives, and CSR are positively correlated. Hong (2010) used 3,301 samples from Shanghai and Shenzhen stock markets to empirically explore the relationship between shareholding structure and CSR and found that ownership concentration and equity balance There is a significant positive correlation between the degree and the company's CSR conduct. Xie (2011) conducted an empirical study using the data of 371 listed companies in China in 2008 and found that the concentration of ownership was significantly negatively correlated with the company’s CSR performance. Qin (2013) conducted an empirical study using the data of listed companies in China and found an inverted U- shaped relationship between ownership concentration and CSR conduct.

(3) The relationship between board size and CSR conduct. Song & Li (2010) found that the shareholding ratio of the top five shareholders, the total share capital, the board size, the supervisory board size, and the number of executives were significantly positively correlated with CSR and the correlation between the top ten shareholders and CSR Significantly negative correlation. H. Xiao & Xue (2014)

analyzed the data of 224 listed companies in China and found that board size was positively correlated with CSR.

(4) The relationship between board independence and CSR conduct. Fama & Jensen (1983) found that in enterprises with high board independence, independent directors can effectively monitor the opportunistic behavior of managers. The board of directors can indirectly manage operators through restraint and incentive measures, and the independent director system strengthens the protection of stakeholders. J. Wang & He (2009) analyzed the data of manufacturing listed companies in 2005 and found that board independence is positively related to CSR conduct. An empirical study by J. Wang & Dewhirst (1992) found that the proportion of external directors is positively related to the fulfillment of CSR. It does not only focus on the interests of shareholders. Post *et al.* (2011) analyzed the data of Fortune 1,000 companies in 2006-2007 and found that the proportion of outside directors was significantly positively correlated with corporate environmental social responsibility and CSR index.

(5) Relationship between executive compensation and CSR conduct. Johnson & Greening (1999) found that taking appropriate incentives for managers can motivate companies to better undertake social responsibilities. They also find that executive ownership is positively associated with higher product quality and a better production environment. X. Yu & Wu (2014) found in an empirical study based on the data of A-share listed companies in China from 2007 to 2011 that executive compensation, director shareholding ratio, and CSR are significantly positively correlated. Deckop *et al.* (2006) took the CEO salary data of 300 companies as a sample and found that CEO salary has a positive correlation with CSR in the long run and a negative correlation in the short term. Nie (2014) analyzed the relationship between executive compensation, social responsibility, and FP, and found that executive compensation can promote CSR. In companies with low FP, executive compensation is more conducive to promoting corporate CSR conduct. Qu, *et al.* (2014) took listed banks in Shanghai and Shenzhen stock markets as a research sample to explore the

relationship between FP, executive compensation, and social responsibility of listed banks. The results show that executive compensation has a significant positive correlation with social responsibility. Fabrizi *et al.* (2014) analyzed the role of executives' incentives in social responsibility with a sample of American companies and found that monetary compensation is negatively related to social responsibility performance, and non-monetary compensation is related to CEO social responsibility decision-making. Positive correlation.

(6) The relationship between management's shareholding ratio and CSR conduct. Zahra (1993) found that management ownership is positively related to CSR. Because management shareholding will prompt managers to focus on the long-term development of the company, take into account the interests of all stakeholders in the company, and promote CSR conduct. D. Wang & Li (2014) believe that management shareholding can not only promote The improvement of corporate performance but can also promote the fulfillment of corporate environmental responsibility. H. Xiao & Xue (2014) analyzed the data of 224 listed companies in China and found that equity incentives can improve governance efficiency, enable management to better coordinate the interests of stakeholders, and improve CSR conduct. Mahoney & Thorn (2006) took Canadian companies as a research sample and pointed out that giving stock option incentives to management can improve their motivation to undertake social responsibility. W. Li & Xu (2017) found that the higher the level of executive ownership, the higher the value of social contribution per share. Z. Yang (2012) took the three industries of petrochemical plastics, mining, and paper as research objects, and pointed out that management will ignore the later benefits of social responsibility because they focus on short-term benefits. Shares are not conducive to the undertaking of CSR. P. Cheng *et al.* (2015) analyzed the data of China's A-share listing in 2013 and found that the management's shareholding ratio is positively related to CSR. H. Wang *et al.* (2014) studied the impact of different shareholding structures on CSR conduct and found that an excessive shareholding ratio of executives has a negative impact on CSR conduct, and companies should

avoid excessive equity incentives.

Bibliometric analysis of the relationship between CG and social responsibility. To deeply explore the relationship between CG and social responsibility, this paper collects bibliographic information on the relationship between CG and social responsibility in the Web Science Core Collection (WoS CC) database and conducts bibliometric analysis. To gather bibliographic information for original scholarly literature, the search was restricted to journal articles indexed by WoS CC. The time frame for data retrieval was January 1, 2009 to December 31, 2021. The search criteria are research papers that include both CG and sustainable development report keywords, and the search formula used is as follows. ((TS="CG" or TS="governance" or TS="board of directors" or TS="independent director" or TS="CEO duality") and (TS="Global Reporting Initiative" or TS=" GRI" or TS="social report*" or TS="environment* report*" or TS="sustainab* report*" or TS="CSR report*" or TS="responsib* report*" or TS="non -financ* report*" or TS="TBL report*" or TS="triple* report*" or TS="integr* report*" or TS="CSR report*" or TS="GRI report*" or TS ="TBL report*" or TS="IR report*" or TS="triple bottom line report*")) AND LA=(English) AND DT=(Article) AND DOP=(2009-01-01/2021- 12-31).

There is various software available for scientific bibliometric analysis, such as BibExcel, Carrot2, CiteSpace, CitNetExplorer, HistCite, Pajek, VOSviewer, etc. Citespace (Version 6.1.r2) was used as scientific metrology and knowledge graph drawing tool in this study. Citespace is based on Java and with a comprehensive function. The roots of Citespace can be traced to 2003, when "the US National Academy of Sciences proposed the concept of mapping knowledge domain"(Shiffrin & Börner, 2004). Currently, CiteSpace is duly recognized as "one of the most representative knowledge mapping tools" (Y. Wu *et al.*, 2020).

Figure 1.3 is a graphical presentation of the research trend from 2009 to 2021. The number of publications that see the world can be a good indicator of the development of a certain field of research and is a proxy for researchers to assess the current state of the field and the status of the subject area.

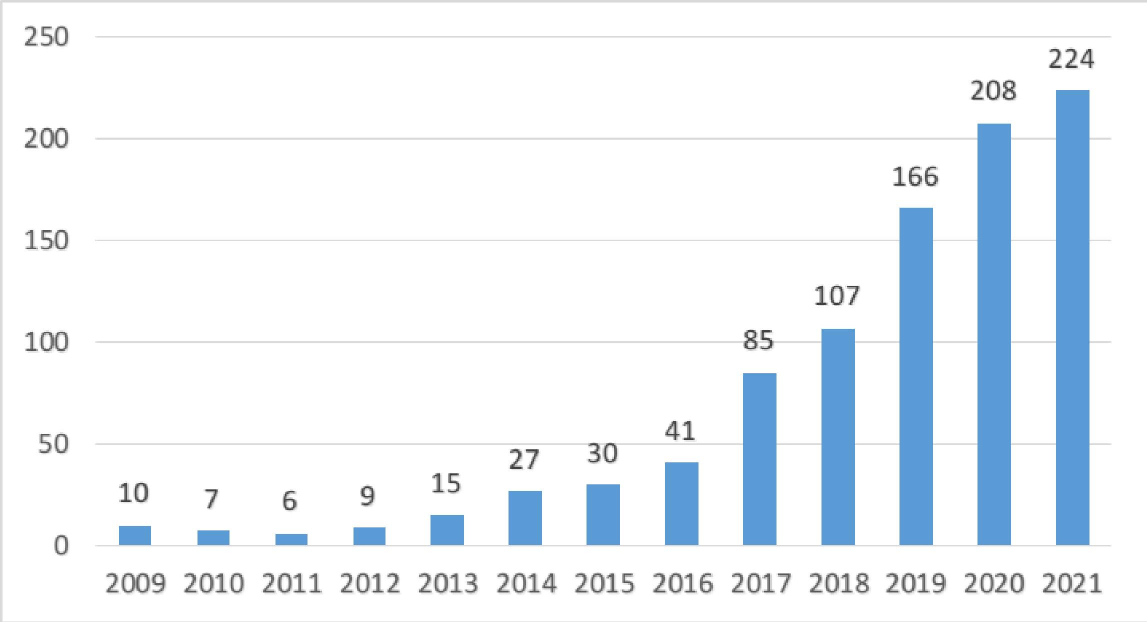


Figure 1.3 - Number of publications (2009–2021) forming the studies’ sample

Note: Contains 935 documents.

Source: Author’s development.

It can be seen that before 2012, the number of articles on this topic in WoS was relatively small, not breaking through 10. Since 2013, the number of documents began to grow rapidly. Moreover, since 2017, the number of publications on the SR - CG nexus has increased by at least 20 per year, which may indicate a watershed moment. A sharp annual increase in the number of publications in this field since 2017 may indicate that the field has moved from the development stage to the maturity stage, thus, the year 2017 could be regarded as a bifurcation spot that evinces the SR-CG field maturity. In 2020, there are 42 articles more than in 2019. This shows that this research field is rapidly gaining more and more attention from researchers.

The country distribution shows the contribution of each country in the study of this issue. For convenience Check, the position of the nodes representing each country and got the map shown in Figure 1.4 is adjusted.

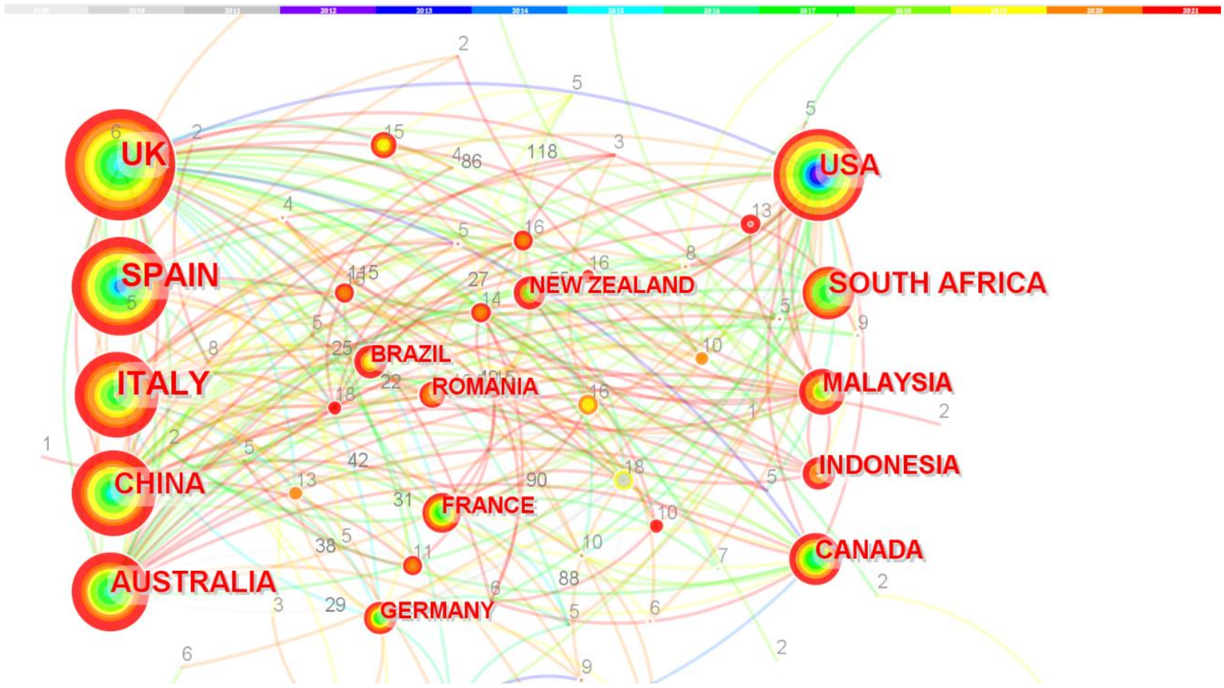


Figure 1.4 - Number of articles in each country

Source: Author's development.

The United Kingdom, Spain, Italy, China, and Australia are the top five countries in the field of published papers.

Citation impact is used as a proxy for the usefulness, accuracy, and significance of publications, sources, or countries therefore often considered a substitute for research quality (Bornmann & Wohlrabe, 2019). Notwithstanding the constraints of citation analysis, like, that citation count does not indicate breakthrough research, scholars of bibliometrics by and large recognize it as a good although imperfect indicator of impact measurement (Maddi & Sapinho, 2022).

The more citations a certain journal is cited, the greater the influence the journal has published in the research field.

The larger the node area representing a journal, the more times that journal is cited. Different colors represent the year cited, and the year and color are indicated at the top of the figure. The lighter the color, the later the year is being cited. Export the citation co-occurrence graph of the journals, and get the statistics of the number of citations (top 20) of the journals shown in Table 1.7. The full data table shows that 935 papers have been cited in 410 journals for 15,347 citations.

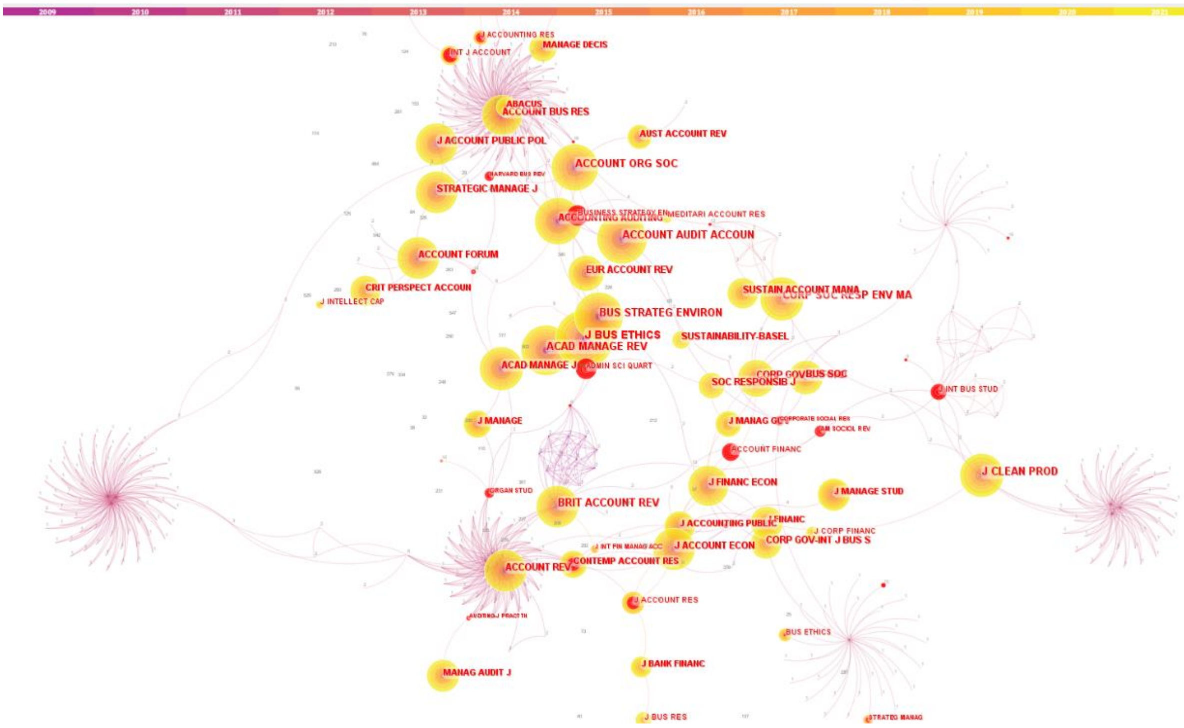


Figure 1.5 - Co-Cited journal

Source: Author’s development.

Table 1.7 Statistics of cited journals

#	Freq	Journal full name	Journal abbreviation	ISSN	E-ISSN
1	777	Journal of Business Ethics	J BUS ETHICS	0167-4544	1573-0697
2	547	Business Strategy and the Environment	Bus STRATEGENVIRON		1099-0836
3	542	Accounting, Auditing & Accountability Journal	Account AUDITACCOUN	0951-3574	
4	529	CSR and Environmental Management	Corp SOCRESPENVMA		1535-3966
5	526	Journal of Cleaner Production	J CLEANPROD	0959-6526	1879-1786
6	502	Academy of Management Review	Acad MANAGEREV	0363-7425	1930-3807
7	484	Accounting, Organizations and Society	Account ORGSOC	0361-3682	
8	425	The British Accounting Review	Brit ACCOUNTREV	0890-8389	

9	379	Strategic Management Journal	Strategic MANAGEJ	0143-2095	1097-0266
10	378	Journal of Accounting and Public Policy	J ACCOUNTPUBLICPOL	0278-4254	
11	376	The Accounting Review	Account REV	0001-4826	
12	361	Journal of Financial Economics	J FINANCECON	0304-405X	
13	340	Accounting Forum	Account FORUM	0155-9982	1467-6303
14	334	Academy of Management Journal	Acad MANAGEJ	0001-4273	
15	334	Corporate Governance: An International Review (Oxford)	Corp GOV-OXFORD	0964-8410	
16	326	Journal of Accounting, Auditing & Finance	Accounting AUDITING	0148-558X	
17	284	Corporate Governance International Journal of Business in Society	Corp GOV-INTJBUSS	1472-0701	1758-6054
18	282	Journal of Accounting and Economics	J ACCOUNTECON	0165-4101	
19	281	Accounting and Business Research	Account BUSRES	0001-4788	2159-4260
20	280	Sustainability Accounting, Management and Policy Journal	Sustain ACCOUNTMANA	2040-8021	

Source: Author's development.

It can be seen from Table 1.7 that the most cited journal is the Journal of Business Ethics (ISSN/eISSN: 0167-4544/1573-0697), followed by Business Strategy and the Environment (Online ISSN: 1099-0836), and third is Accounting, Auditing & Accountability Journal (ISSN: 0951-3574). All three journals have been cited more than 540 times. The top 20 journals have been cited more than 280 times.

The co-occurrence analysis of the research keywords can understand the hot topics in the research field and the degree of attention to these topics. The co-occurrence of keywords reveals the links, or the inter-closeness among them (Jin *et al.*, 2019). Running the analysis and clustering operations resulted in the clustering graph shown in Figure 1.6.

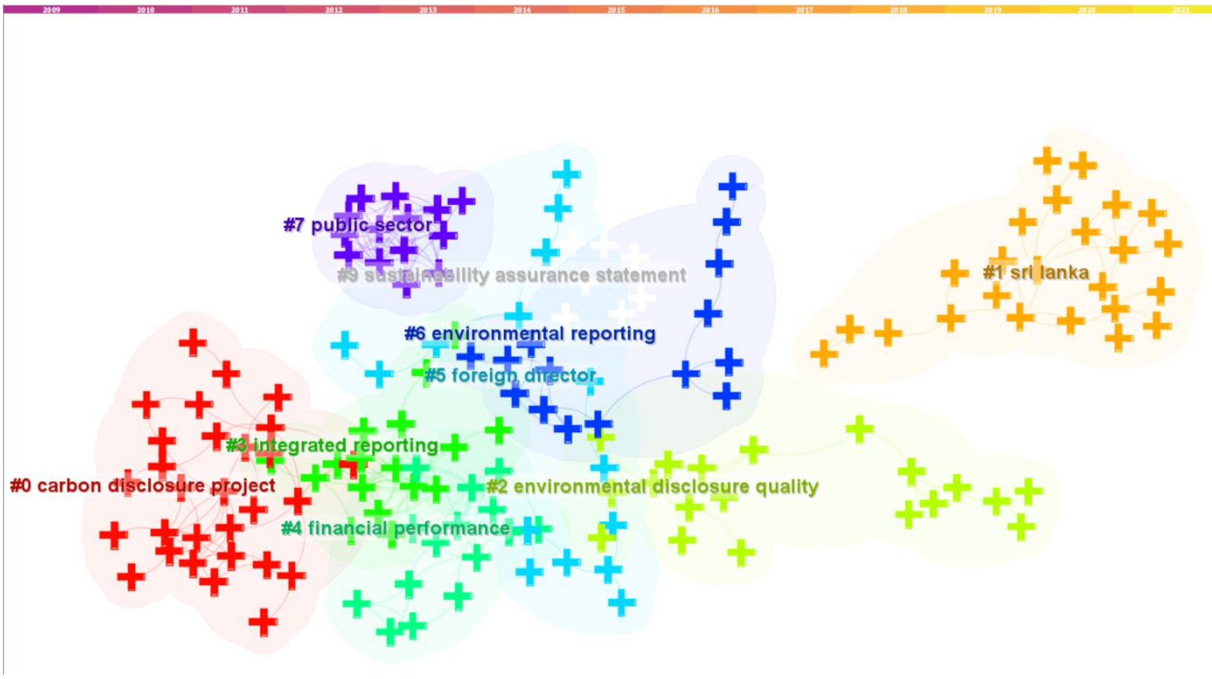


Figure 1.6 - Keyword clustering map

Source: Author's development.

Among them, Modularity Q = 0.792 and Mean Silhouette S = 0.9119. In general, a Q value greater than 0.3 indicates that the cluster structure is significant, and an S value greater than 0.5 indicates that the clustering is reasonable.

In the keyword clustering map, the keywords shown in Table 1.8 are extracted. Each cluster is composed of multiple closely related subordinates. The smaller the number, the more keywords the cluster contains.

Table 1.8 - Keyword clustering results

ClusterID	**Cluster Name**
0	carbon disclosure project
1	Sri Lanka
2	environmental disclosure quality
3	integrated reporting
4	financial performance
5	foreign director
6	environmental reporting
7	public sector

9	sustainability assurance statement

Source: Author's development.

Important topics in the field of SR-CG nexus research include carbon disclosure projects, environmental disclosure quality, integrated reporting, FP, foreign director, environmental reporting, public sector, and sustainability assurance statement.

In searching for future research directions, we summarized articles published in 2021 to identify innovative research opportunities.

Table 1.9 - Future research directions

No.	Cluster Size	Research Direction
1	30	ESG European companies
2	28	cross effect
3	27	international evidence
4	26	governance dynamics
5	25	corporate social performance and over-investment
6	22	corporate environmental disclosure
7	22	construction industry look
8	18	sustainability reporting
9	16	independent director
10	13	economic inhibition

Source: Author's development.

Table 1.9 shows the top 10 largest clusters. The labeling technique is the log-likelihood ratio (LLR) (C. Chen *et al.*, 2010). Cluster numbering is in descending order. The clusters are numbered in descending order of frequency and they are the main research directions for 2021 and will be the main research directions soon. Future research is likely to focus on ESG, disclosure, and governance performance, as well as on specific areas (geography, industry, etc.), and will explore in depth the role of multiple factors together.

Some important implications for future research can be drawn from this study. First, the rapidly growing number of papers published in this field demonstrates the expanding research interest in the CG-SR relationship. Second, the global research on SR-CG relations is mainly carried out in Spain, the United States, the United

Kingdom, Australia, and China, and these countries not only produce the most productive research institutes and prolific authors but also produce most of the countries of origin Country-cited journals. Third, the findings in this section suggest that SR and CG are increasingly converging in the literature, and given the dominance of the “ SR as a function of CG ” approach, a more robust and robust CG framework can lead to more tenable SR practice (Minciullo *et al.*, 2022; Zaman *et al.*, 2021).

The results of the bibliometric analysis reveal that the connection between SR and CG is emerging and gaining attention. 2014 was a point of divergence, with the number of papers growing steadily year by year, while the number of papers in 2017 increased significantly from the previous year, which shows that the research field is maturing and developing various branches and specializations, thereby attracting more and more researchers to enter the field. The countries with the highest number of studies in this field include the United Kingdom, Spain, Italy, China and Australia. The most esteemed journals include the Journal of Business Ethics, Business Strategy and the Environment and Accounting, Auditing & Accountability Journal. The major co-occurrence of hot keywords includes carbon disclosure project, environmental disclosure quality, integrated reporting, FP, foreign director, environmental reporting, public sector, and sustainability assurance statement. Future research in the realm is likely to focus on ESG, disclosures, and governance performance, as well as on specific areas (geography, industry, etc.), and will explore in depth the role of multiple factors together.

Summary of Section 1

1. Traditional CG research focuses on the relationship between principals and managers, with the main goals of maximizing shareholder benefits and reducing agency costs. Today's CG not only focuses on maximizing shareholders' interests but is getting closer to CSR, paying more attention to ethics and accounting responsibility.

2. CG is the framework that stipulates the rights and responsibilities among the

parties with a stake in the company as well as the arrangements of organizational procedures that affect both financial and non-financial firm-level results.

3. CSR was originally considered a moral obligation and is now increasingly becoming a sound business decision. Since the 1960s, CSR has been considered a legal responsibility and has become a duty that must be fulfilled. Since the 1980s, stakeholder theory has provided a basis for CSR, and the definition and measurement of CSR have shown international convergence. The practical and academic research related to CSR is becoming more and more abundant and gradually expanding to the level of CSR disclosure and CSR auditing.

4. CSR is the behavior of enterprises to protect the rights and interests of stakeholders and undertake corresponding legal and moral obligations in the process of pursuing their own economic goals, and social and environmental sustainable development goals.

5. CSR conduct can be divided into two levels: CSR performance and CSR disclosure, which are used to measure the degree to which a company protects the interests of stakeholders and the intensity of CSR information disclosure. CSR behavior can be divided into internal orientation and external orientation. Internally-oriented CSR behaviors focus on improving the interests of stakeholders, while externally-oriented CSR behaviors are often not directly related to stakeholders. Selective CSR behaviors infringe on the rights and interests of some stakeholders, and it is only correct to complete CSR behaviors.

6. The attributes of CG studied in this paper include three categories: shareholding structure, management characteristics, and management incentives. The attributes of the shareholding structure include state-owned share ratio, institutional share ratio, and ownership concentration. Management characteristic attributes include board size, board independence, CEO duality, and supervisory board size. The attributes of management incentives include management compensation and management equity incentives.

7. The principal-agent theory is the basis of CG, and its purpose is to study the

optimal contract arrangement under the condition of asymmetric information. The principal-agent theory focuses on the interests of shareholders, and the business goal of the enterprise is to maximize the interests of shareholders. The core of the principal-agent theory is to establish an effective incentive and restraint mechanism to effectively restrain the agent's speculative tendency and behavior and to encourage the agent to maximize the interests of the principal.

8. Stakeholder theory explains why enterprises should fulfill their social responsibilities. Stakeholders refer to all kinds of subjects that are closely related to the business performance of the enterprise, including not only internal stakeholders such as shareholders, managers, and employees, but also suppliers, creditors, customers, communities, and the government. Although the enterprise is funded and established by the shareholders, other stakeholders also make contributions to the enterprise, so the enterprise is not exclusive to the shareholders. The process of protecting the rights and interests of stakeholders is also the process for enterprises to fulfill their social responsibilities. Different stakeholders have different interest demands, which is also a difficult point in the protection of stakeholders' rights and interests.

9. The theory of information asymmetry deepens the content of principal-agent theory, and can also explain some behaviors of listed companies in the process of fulfilling CSR. The theory of information asymmetry holds that in market transactions, due to factors such as uncertainty, ability to obtain information, division of labor, and specialization, the information about transactions held by both parties to the transaction is asymmetric and incomplete. Both parties to the transaction obtain different benefits and bear different risks due to different information. This theory can explain the risks brought by information asymmetry to the company's operations, the controlling shareholders' encroachment on the rights and interests of small and medium shareholders, and the selective CSR behavior of enterprises.

10. In the process of business operation, there are generally two kinds of agency conflicts. Type I agency problem refers to the principal-agent problem between

shareholders and managers, usually manifested as the increase of agency cost caused by insufficient supervision. The second type of agency problem refers to the principal-agent problem between the controlling shareholder and the small and medium shareholders, which generally manifests as the controlling shareholder infringing on the rights and interests of the small and medium shareholders.

11. Many scholars have studied the relationship between CG and FP. Although there is no consistent conclusion, some viewpoints have advantages. For example, the proportion of state-owned shares is negatively correlated with performance, institutional shareholding and independent directors are positively correlated with performance, and the supervisory board size has no significant impact on performance.

12. The literature review on CG and CSR conduct shows that although a large number of studies have paid attention to the relationship between the two, there is no consistent conclusion. At the same time, due to the particularity of China as an emerging market and the particularity of China's SOE, the internal logical relationship between CG and CSR conduct still needs to be further tested. China's securities market is undergoing rapid changes, such as the revised company law, The new information disclosure requirements of listed companies are constantly regulating the behavior of listed companies, so research on this issue is very necessary.

13. A bibliometric analysis of research on CG and sustainability reporting shows that 2013 and 2017 were bifurcation points in the research field, marking the maturity of the research field. The countries with the highest number of studies in this field include the United Kingdom, Spain, Italy, China, and Australia. The most esteemed journals include the Journal of Business Ethics, Business Strategy and the Environment and Accounting, Auditing & Accountability Journal. The major co-occurrence of hot keywords includes carbon disclosure project, environmental disclosure quality, integrated reporting, FP, foreign director, environmental reporting, public sector, and sustainability assurance statement. Future research in the realm is

likely to focus on ESG, disclosures, and governance performance, as well as on specific areas (geography, industry, etc.), and will explore in depth the role of multiple factors together.

14. The contents of this section are mainly published in the following publications:

(1) Article (Pasko *et al.*, 2020a, 2020b; Pasko, Chen, & Wang, 2021; Pasko, Chen, Oriekhova, *et al.*, 2021; Pasko *et al.*, 2022; L. Wu *et al.*, 2022).

(2)Conference paper (F. Chen, 2020; F. Chen *et al.*, 2020; F. Chen & Hu, 2021; F. Chen & Pasko, 2020, 2021).

SECTION 2. THE IMPACT OF CG ATTRIBUTES ON FP AND CSR CONDUCT

2.1 Current Situation of CG in China

Basic statistics of listed companies in China.

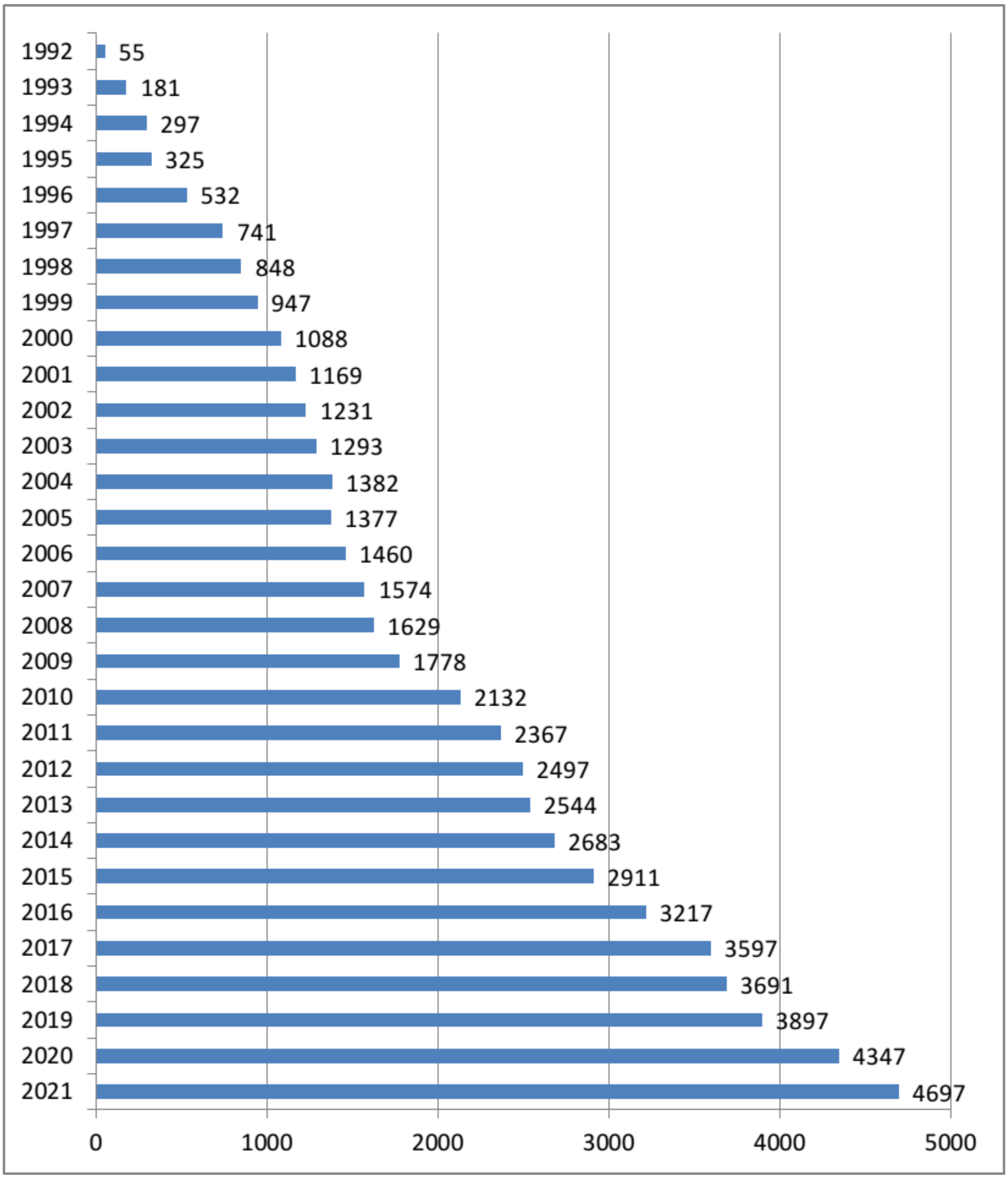


Figure 2.1 - Number of listed companies in China

Source: Author's development.

Figure 2.1 shows the number of listed companies in China since 1992, and it can be seen that the number of listed companies in China has been growing steadily. In 1992, there were only 55 listed companies in China. In 2021, this number will grow to 4,697. The rapid growth of the number of listed companies also shows that the ability of Chinese enterprises to obtain funds from the market is increasing year by year.

Table 2.1 shows the total market capitalization of listed companies in China and its ratio to the GDP of the year. It can be seen that before the 2008 financial crisis, the proportion reached a historical peak of 123.13% in 2007, but fell directly to 38.70% in 2008. The ratio of market capitalization to GDP reflects the degree of activity in the stock market. The ratio of stock market value to GDP in 2021 exceeds 80%, indicating that the current period is the most active in China's stock market since the financial crisis in 2008. Chinese listed companies have stronger financing capabilities and more frequent transactions. According to statistics from Wind data, the total market value of Chinese-listed companies is about 92 trillion, ranking second in the world.

Table 2.1 - Total market capitalization of Chinese listed companies over the years

Year	**Total market capitalization (￥100 million)**	**GDP (￥100 million)**	**Market capitalization/GDP**
1992	1048.14	26923	3.89%
1993	3541.52	35333	10.02%
1994	3690.61	48197	7.66%
1995	3474.28	60793	5.71%
1996	9842.38	71176	13.83%
1997	17529.23	78973	22.20%
1998	19505.63	84402	23.11%
1999	26471.17	89677	29.52%
2000	48090.94	99214	48.47%
2001	43522.19	109655	39.69%
2002	38329.12	120332	31.85%
2003	42457.71	135822	31.26%

2004	37055.56	159878	23.18%
2005	32446.01	184937	17.54%
2006	89441.35	216314	41.35%
2007	327291.31	265810	123.13%
2008	121541.05	314045	38.70%
2009	244103.91	340903	71.61%
2010	265422.59	401512	66.11%
2011	214758.09	473104	45.39%
2012	230357.62	519470	44.34%
2013	239077.19	568845	42.03%
2014	371100.00	636463	58.31%
2015	531304.00	676708	78.51%
2016	507685.00	744127	68.23%
2017	567085.00	827122	68.56%
2018	434924.00	919281	47.31%
2019	592900.00	990865	59.84%
2020	797200.00	1015986	78.47%
2021	918810.00	1143670	80.34%

Source: CSMAR.

As of December 31, 2021, there are 4,697 companies listed on the Chinese stock market. The number of companies on the three exchanges is 2,037 on the Shanghai Stock Exchange (including 377 on the Science and Technology Innovation Board), 2,578 on the Shenzhen Stock Exchange (including 1,090 on the ChiNext Board), and 82 on the Beijing Stock Exchange.

Figure 2.2 shows the distribution of Chinese-listed companies on three stock exchanges in 2021. The three stock exchanges in Mainland China are the Shanghai Stock Exchange, the Shenzhen Stock Exchange, and the Beijing Stock Exchange. Established on November 26, 1990, the Shanghai Stock Exchange mainly serves traditional large enterprises. Shenzhen Stock Exchange was established on December 1, 1990, mainly serving small and medium-sized enterprises. The Beijing Stock Exchange was established on September 3, 2021, and mainly serves high-tech, specialized, and high-growth companies.

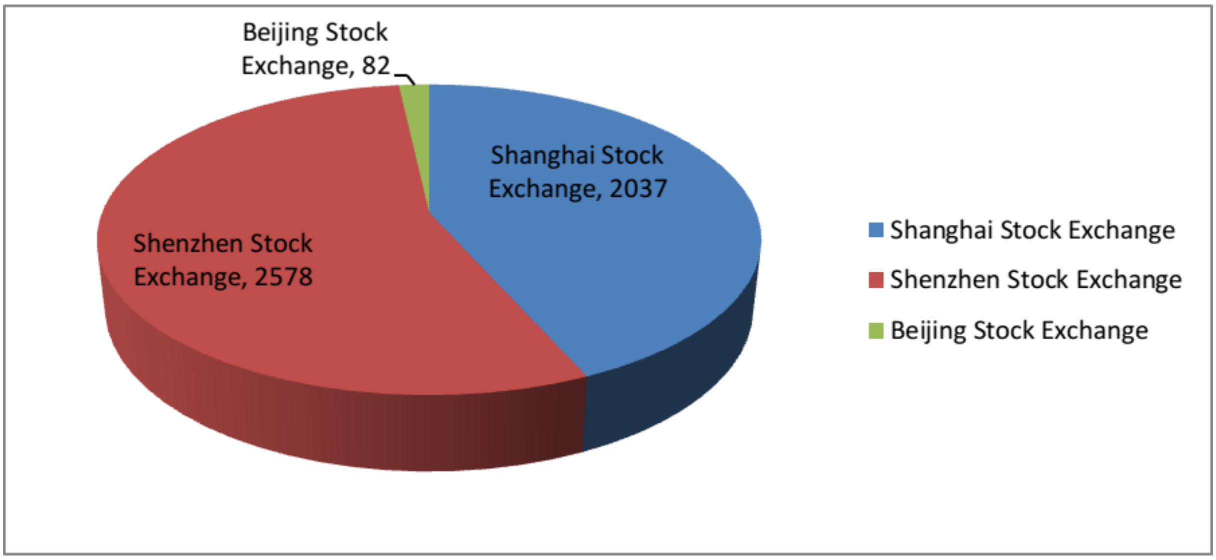


Figure 2.2 - Number of Chinese listed companies in 2021 (by exchange)

Source: Author's development.

Table 2.2 shows the industry distribution of listed companies in China in 2021. The largest number is the manufacturing industry 3,051, accounting for nearly 65%. The second place is the information transmission, software, and information technology service industry with 383 companies, accounting for 8.2%. The third is 187 retail companies, accounting for 3.98%.

Table 2.2 - Statistics of listed companies in China (2021)

Industry Code	**Industry Name**	**Number of companies**	**Proportion**
A	Agriculture, forestry, animal husbandry and fishery	48	1.02%
B	Mining industry	79	1.68%
C	Manufacturing	3051	64.96%
D	Electricity, heat, gas and water production and supply	129	2.75%
E	Construction industry	109	2.32%
F	Wholesale and retail	187	3.98%
G	Transportation, storage and postal industry	109	2.32%
H	Accommodation and Catering Industry	9	0.19%
I	Information transmission, software and information technology service industry	383	8.15%
J	Financial industry	127	2.70%

K	Real estate	117	2.49%
L	Leasing and business services	67	1.43%
M	Scientific research and technical service industry	90	1.92%
N	Water conservancy, environment and public facilities management industry	90	1.92%
O	Resident services, repairs and other services	1	0.02%
P	education	12	0.26%
Q	Health and social work	14	0.30%
R	Culture, sports and entertainment industry	62	1.32%
S	Comprehensive	13	0.28%
Total		4697	100.00%

Source: Author's development.

Statistics on Chinese CG Characteristics. Table 2.3 shows the statistical results of the ownership characteristics of listed companies. The proportion of state-owned shares, the proportion of institutional shares, and the proportion of shares held by the largest shareholder all gradually decreased, and the decline of state-owned shares was the fastest.

Table 2.3 - Statistics of shareholding structure characteristics of Chinese listed companies (2003-2020)

Year	**StateShare**	**InstitutionalShare**	**Top1Share**
2003	36.00%	60.60%	42.70%
2004	34.50%	60.70%	41.90%
2005	33.10%	59.80%	40.50%
2006	28.60%	55.60%	36.60%
2007	25.20%	54.30%	36.20%
2008	22.00%	52.90%	36.40%
2009	13.00%	51.50%	36.60%
2010	9.30%	49.50%	36.70%
2011	6.50%	47.30%	36.30%
2012	5.50%	46.20%	36.40%
2013	4.10%	45.50%	36.20%
2014	4.00%	44.60%	35.60%

2015	3.50%	44.60%	34.50%
2016	3.90%	44.30%	34.00%
2017	3.80%	42.90%	33.80%
2018	3.40%	42.70%	33.50%
2019	2.90%	42.50%	33.00%
2020	2.60%	42.30%	32.90%
Mean	13.44%	49.32%	36.32%

Source: Author's development.

Table 2.4 shows the statistical results of the characteristics of the board of directors, board of supervisors, and management. The Board size and the supervisory board size continue to decline, while the board independence continues to rise, which also reflects that independent directors are playing a more important role.

Table 2.4 - Statistics on the characteristics of boards of directors, boards of supervisors, and management of Chinese listed companies (2003-2020)

Year	**BoardSize**	**BoardIndependence**	**CEODuality**	**SupBoardSize**
2003	9.86	32.80%	15.20%	4.28
2004	9.70	34.20%	15.00%	4.20
2005	9.57	34.80%	13.00%	4.16
2006	9.43	35.20%	13.50%	4.10
2007	9.40	35.90%	15.10%	4.06
2008	9.27	36.20%	15.50%	4.00
2009	9.15	36.50%	18.50%	3.92
2010	9.08	36.70%	22.00%	3.84
2011	8.99	36.90%	24.60%	3.76
2012	8.97	37.00%	25.10%	3.72
2013	8.85	37.40%	24.80%	3.68
2014	8.70	37.30%	25.80%	3.65
2015	8.58	37.70%	26.50%	3.60
2016	8.57	37.50%	28.40%	3.58
2017	8.50	37.60%	30.60%	3.52
2018	8.47	37.90%	30.40%	3.51
2019	8.42	37.90%	30.90%	3.49

2020	8.37	38.00%	32.90%	3.45
mean	8.99	36.53%	22.66%	3.81

Source: Author's development.

Table 2.5 shows the statistical results of management incentives. The total of the top three management salaries (LnMngSalary3) is the result of taking the logarithm, reflecting the continuous rise in the management salaries of listed companies. The management shareholding ratio (ManagementShare) has increased from 0.6% in 2003 to 15.2% in 2020.

Table 2.5 - Statistics on Incentive Characteristics of Senior Executives of Listed Companies in China (2003-2020)

Year	**LnMngSalary3**	**ManagementShare**
2003	12.16	0.60%
2004	12.69	1.40%
2005	13.16	1.30%
2006	13.30	2.00%
2007	13.57	3.70%
2008	13.69	4.30%
2009	13.79	6.90%
2010	13.95	11.20%
2011	14.08	12.70%
2012	14.15	12.70%
2013	14.22	12.60%
2014	14.28	12.90%
2015	14.35	13.00%
2016	14.43	14.00%
2017	14.54	15.50%
2018	14.65	14.90%
2019	14.75	14.60%
2020	14.83	15.20%
mean	13.92	9.42%

Source: Author's development.

Figure 2.3 shows the number and trend of social responsibility reports disclosed by Chinese listed companies from 2006 to 2020.

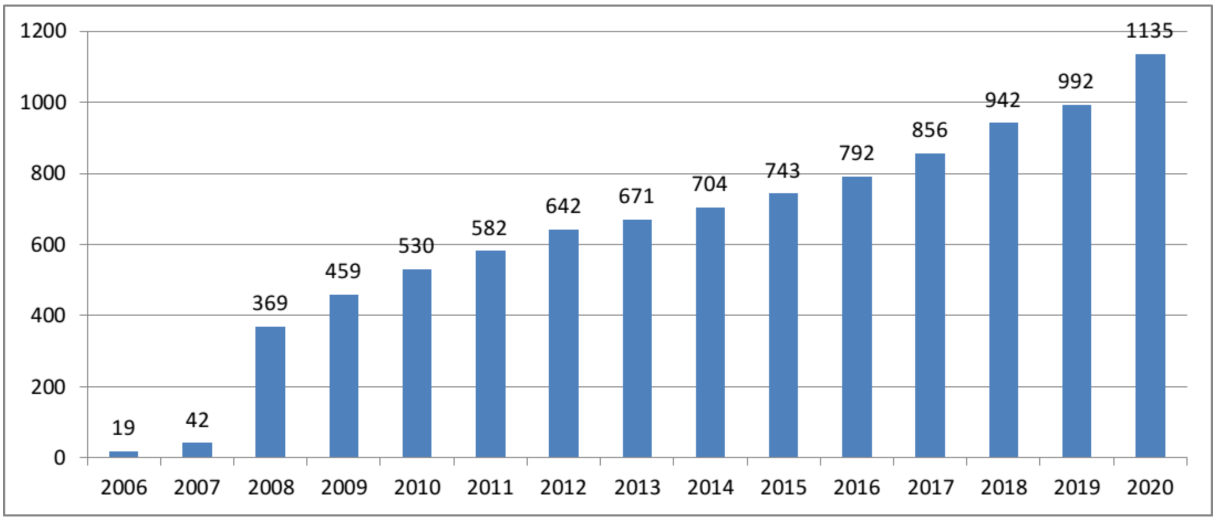


Figure 2.3 - Number of social responsibility reports released by Chinese listed companies (2006-2020)

Source: https://www.yicai.com/news/101055247.html (Rui & Yin, 2021)

The average disclosure ratio of social responsibility reports of listed companies in China is around 20%. As the regulatory authorities continue to increase the requirements for the performance and disclosure of social responsibilities, and the benefits brought by fulfilling social responsibilities to enterprises are increasing day by day, the disclosure ratio of social responsibility reports of listed companies in China is also increasing. As of April 30, 2022, 1,191 listed companies in the A-share market have released their 2021 social responsibility reports, of which 520 are on the Shenzhen Stock Exchange and 671 are on the Shanghai Stock Exchange. In addition, 215 listed companies released environmental, social, and CG (ESG) reports, including 55 on the Shenzhen Stock Exchange and 160 on the Shanghai Stock Exchange. This means that about one-third of listed companies have voluntarily disclosed ESG or social responsibility reports. At the same time, we should also see that most companies have not released social responsibility reports, and some companies only mention CSR conduct in their annual reports without releasing a separate social responsibility report. As of April 30, 2022, among A-share listed companies, 69% of the listed companies have never issued a social responsibility report in the past 10 years; 15% of the companies have continuously disclosed social responsibility reports for less than 4 years or not Publish social responsibility reports; only 16% of enterprises have released social responsibility reports for 4 consecutive years or more. From the perspective of content, fulfilling social responsibilities mainly includes improving the CG structure, improving the company's internal control system, and improving the level of CG. It also includes shareholder protection, employee rights, and customer and supplier rights. From an industrial perspective, sustainable development is the focus, specifically energy conservation, emission reduction, low-carbon, and environmental protection. In addition to environmental protection, public welfare donations are also the key content disclosed in the social responsibility reports of listed companies.

An introduction to the management and administration of Chinese listed companies.

CSRC is a government department affiliated to the State Council. The duties of CSRC related to this research include formulating relevant laws and regulations, rules and regulations, supervising the market behavior of listed companies and their shareholders, supervising the dissemination of securities information, and investigating related illegal acts. Punishment etc. CSRC mainly regulates the behavior of listed companies and shareholders from the perspective of laws and regulations. It mainly includes protecting the legitimate rights and interests of investors, ensuring the fairness, efficiency, and transparency of the market, and reducing systemic risks. The SEC has the legal, economic, and administrative means to ensure the fulfillment of these responsibilities (State-owned Assets Supervision and Administration Commission of the State Council, 2008).

A stock exchange is a legal person that provides venues and facilities for centralized securities trading, organizes and supervises securities transactions, and provides securities market management services. The responsibilities of the stock exchange related to this study include formulating and revising the business rules of securities trading, organizing and supervising securities trading, supervising the information disclosure of listed companies, and protecting investors. The stock exchange is the main body that formulates specific rules and implements regulatory actions. The stock exchange mainly supervises listed companies and shareholders from the level of rules and implementation. The main regulatory actions include inquiry of listed companies, self-regulatory measures, disciplinary actions, publicity of corporate commitments and performance, etc. (Shanghai Stock Exchange, nd; Shenzhen Stock Exchange, nd). At present, there are Shanghai Stock Exchange, Shenzhen Stock Exchange and Beijing Stock Exchange in Mainland China.

SASAC is a special agency directly under the State Council of China, responsible for the management of state-owned assets and the supervision of SOE. The list of responsibilities related to this study includes: promoting the maintenance and appreciation of state-owned assets; promoting the reform of SOE, improving the CG structure, dispatching directors and supervisory boards; appointment, assessment, performance incentives and constraints of SOE leaders.

The evolution of CG in China. The practice of CG in China began with the reform of SOE. In 1978, China began to introduce a modern enterprise system in SOE. Since then, China has gradually established a management system that meets the requirements of a market economy and introduced and standardized the CG system. This process can be divided into five stages (F. Chen, 2022).

The first stage was from 1978 to 1992, starting the reform of SOE, exploring the establishment of a modern enterprise system, and establishing a securities market and regulatory mechanism. On September 26, 1986, the first stock in New China was officially traded in Shanghai Jingan Securities Business Department, which opened the prelude to stock trading. On November 26, 1990, the Shanghai Stock Exchange was established. On December 1, 1990, the Shenzhen Stock Exchange was established. On October 25, 1992, CSRC was established, marking the beginning of the formation of a unified regulatory system for China's securities market.

The second stage was from 1993 to 2001, when the "Company Law of the People's Republic of China" and "Securities Law of the People's Republic of China" were promulgated, a supervisory board system was established, and the independent director system was planned to be implemented. On July 1, 1994, the "Company Law of the People's Republic of China" was officially implemented, which stipulated that two parallel organizations, the board of directors and supervisory board, be established under the general meeting of shareholders, that is, the two-tier governance model. The original intention of this system is to place the board of directors and supervisory board in a parallel position. The supervisory board is mainly composed of employee representatives and shareholder representatives and undertakes supervisory functions. On August 16, 2001, CSRC issued the "Guiding Opinions on Establishing an Independent Director System in Listed Companies ", requiring listed companies to establish an independent director system, and required that by June 30, 2003, the board independence on the board of directors should be Not less than one-third. On July 1, 1999, the first "Securities Law of the People's Republic of China" came into effect, and China began to further regulate the issuance and trading of securities to protect the legitimate rights and interests of investors.

The third stage is from 2002 to 2005, when the independent director system was formally implemented, China issued and began to implement the "Code of CG for Listed Companies", and started the share structure reform. In 2001, the Enron and WorldCom accounting scandals exposed major flaws in CG, which prompted countries around the world to revise and improve CG-related laws and control measures. Affected by this, China has gradually moved closer to international CG standards for listed companies. On January 7, 2002, China promulgated and began to implement the " Code of CG for Listed Companies", which became the basic program for regulating the CG of listed companies, which stipulated that listed companies implement the independent director system. Independent directors can play the role of supervision, decision-making consultation, and protection of shareholders' rights and interests when the company makes decisions, which is more effective than post-event supervision. On April 29, 2005, CSRC officially launched the share structure reform of state-owned listed companies.

The fourth stage is from 2006 to 2019, when the share structure reform was completed, the "Securities Law" was revised, and the "Code of CG for Listed Companies" was revised (China Securities Regulatory Commission, 2018). As of December 31, 2006, 1,124 state-owned listed companies have completed share splits, and this work has been completed. The non-tradable shares have the same status as the non-tradable shares through the split share structure reform, which stimulates the enthusiasm of large shareholders to participate in governance and stimulates the vitality of the market. On September 30, 2018, the newly revised "Code of CG for Listed Companies" was officially released and implemented. The new "Code of CG for Listed Companies" pays more attention to the protection of small and medium investors and promotes the participation of institutional investors in CG. At the same time, the new guidelines also establish a basic framework for environmental, social responsibility, and CG (ESG) information disclosure, which is a new stage in the development of social responsibility for listed companies in China (F. Chen & Pasko, 2021).

The fifth stage is from 2020 to the present, implementing the newly revised "Securities Law" and carrying out special actions for CG of listed companies. On March 1, 2020, the revised Securities Law came into effect. The new "Securities Law" has made major changes in terms of punishment measures, investor protection, information disclosure, and delisting rules. On December 10, 2020, CSRC launched a special action on the governance of listed companies, requiring further improvement of the governance structure of listed companies and improving the overall governance level. On September 3, 2021, the Beijing Stock Exchange was established. This is the third stock exchange in China and the first corporate stock exchange. It mainly provides a platform for innovative small and medium-sized enterprises to list and trade.

Administrative agencies' requirements on Chinese enterprises' CSR behavior and disclosure. As the topic of CSR becomes more and more important, relevant Chinese regulatory authorities have promulgated laws, policies, and regulations to continuously strengthen the requirements of CSR. In 2006, the

"Company Law of the People's Republic of China" stipulated that enterprises should undertake social responsibilities. In 2006, the Shenzhen Stock Exchange issued the "Guidelines on Social Responsibility of Listed Companies", which stipulates that listed companies should bear corresponding responsibilities to stakeholders such as employees, shareholders, creditors, suppliers, and consumers. In 2008, the State-owned Assets Supervision and Administration Commission of the State Council issued the "Guiding Opinions on the Fulfillment of Social Responsibility by Central Enterprises", which proposed three principles and eight aspects for central enterprises to fulfill their social responsibilities. In 2012, the "Decision of the Central Committee of the Communist Party of China on Several Major Issues Concerning Comprehensively Deepening Reform" pointed out that SOE must undertake social responsibilities. However, it should be noted that the current laws and regulations issued by China are more instructive, there are fewer mandatory disclosure norms and the scope is relatively small. Secondly, most of the policies and regulations formulated require companies to disclose social responsibility reports and put forward requirements for social responsibility information, but there is a lack of definition of social responsibility accounting information in reports. There are no detailed requirements on how social responsibility accounting information should be disclosed, what indicators or content should be included, and how it should be reflected in the report. In addition, China currently has many standards for compiling social responsibility reports (see Table 2.6), and there are no consistent regulations in the same industry, so it is difficult to unify the form and content.

Table 2.6 - Standards for Chinese CSR reports (partial)

Year	Issued by	Name of CSR Reporting Standard
2006	Shenzhen Stock Exchange	Shenzhen Stock Exchange Social Responsibility Guidelines for Listed Companies
2008	Shanghai Stock Exchange	Shanghai Stock Exchange Guidelines for Environmental Information Disclosure of Listed Companies

2008	China Federation of Industrial Economics	Guidelines for Social Responsibility of Chinese Industrial Enterprises and Industry Associations
2009	China Banking Association	Guidelines for CSR of Chinese Banking Financial Institutions
2009	Research Center for CSR, Chinese Academy of Social Sciences	Guidelines for Compiling Chinese CSR Reports
2012	Ministry of Commerce, China Chamber of International Contractors	Guidelines on Social Responsibility of China's Foreign Contracted Engineering Industry
2013	Ministry of Industry and Information Technology, China Electronics Industry Standardization Technology Association	Social Responsibility Guidelines for China's Electronic Information Industry
2013	SAIC	Direct Selling Enterprises Fulfilling Social Responsibility Guidelines
2013	China Construction Industry Association, China Electric Power Construction Enterprises Association	Guidelines for Compiling Reports on Fulfillment of Social Responsibility by Construction Enterprises
2015	General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China, Standardization Administration of the People's Republic of China	GB/T 36000-2015 "Social Responsibility Guidelines"

Source: Author's development.

2.2 The impact of CG attributes on FP

Hypothesis development. CG not only determines the structure of ownership and management rights but also determines the development trend of the company from a deeper level. Appropriate CG structure can not only guarantee the company to perform contractual obligations on time, but also repay creditor bonds, share dividends with shareholders and realize equity value appreciation, establish good corporate credit and social image for the company, and form a sustainable virtuous circle (Bai *et al.* al., 2005; F. Chen & Hu, 2021). An inappropriate CG structure will lead to low operating efficiency, gradually lose competitiveness, destroy corporate value, and make the company fall into operating difficulties. At present, there are still many debates about the relationship between CG attributes and corporate performance, such as the relationship between shareholding structure, board characteristics, management incentives, and corporate performance. At the same time, as the largest emerging market country, China's securities market has different characteristics from developed countries.

examines the impact of CG attributes on performance from three levels of shareholding structure, management characteristics, and management incentives, and tries to find CG factors that restrict and promote FP.

(1) Proportion of state-owned shares. The principal-agent theory holds that state-owned equity has multiple effects on corporate performance. On the one hand, when the state-owned shares hold the majority, the state has sufficient economic incentives to supervise the company's agents, and the agency costs are bound to be low at this time. The management organization of state-owned equity is a government agency, which has obvious advantages in policy support and credit resources. On the other hand, enterprises with high state-owned equity often need to complete non-economic goals, which will lead to a decrease in the FP of the enterprise.

(2) Institutional shareholding ratio. Institutional investors can gather scattered funds to form a huge amount of funds for unified investment management, which has scale advantages. In terms of financial analysis, the information advantage of institutions is significantly higher than that of individual investors (Michaely & Shaw, 1994). Institutional investors have professional investment ideas and diversified investment channels, and they have advantages over individual investors in all aspects. They gather the rights and interests of small shareholders and form a certain scale of common interest groups, which play a role in preventing the "exclusive power" of large shareholders, reducing agency costs, and protecting the interests of small shareholders. The cost-benefit theory holds that to obtain higher investment

returns, foreign institutional investors will actively participate in CG, supervise managers' behavior, and alleviate Type I and Type II agency conflicts.

(3) Ownership concentration. When the ownership concentration is high, the interests of the major shareholders are consistent with the interests of the enterprise, the greater the control power of the major shareholders over the company's top managers and they are more willing to strengthen the supervision of the company and reduce the opportunistic behavior of the top managers, which may promote CG. Efficiency improvement. A high shareholding concentration means that major shareholders have stronger control power and alleviate the principal-agent problem between shareholders and management (Claessens *et al.*, 2000; Shleifer & Vishny, 1986). If major shareholders have low expectations for the performance of listed companies, they may hollow out listed companies through "tunnels" and infringe on the interests of small and medium shareholders.

(4) Board size. According to the principal-agent theory, a larger board of directors can play a better supervisory role, and the company can obtain more external resources through directors, which can enhance corporate value. On the other hand, the expansion of the board of directors means an increase in communication costs, intensifies disputes among different stakeholders, reduces the efficiency of internal communication and decision-making, and negatively affects corporate performance (Eisenberg *et al.*, 1998). The small-scale board of directors has a more flexible decision-making mechanism and stronger adaptability to the environment, which may help to improve corporate performance. In addition, the small-scale board of directors may not consider the issues comprehensively when making decisions and may make more wrong judgments.

(5) Board independence. According to the principal-agent theory, independent directors exert their independence, objectivity, and impartiality to strengthen the external supervision of the board of directors. The supervisory role of independent directors can reduce agency costs, improve the scientificity of decision-making, and improve FP. However, the independent director system is not as perfect as imagined.

In practice, it is difficult for independent directors to break through the influence of insider control and gain a deep understanding of the company in a short period (Fosberg, 1989). On the other hand, independent directors usually have other part-time jobs, and may not have enough time to exercise supervisory functions (Agrawal & Knoeber, 1996).

(6) CEO Duality. As a member of the board of directors, the chairman must effectively supervise the managers. The agency theory holds that CEO Duality will affect the independence of the board of directors and restrict the supervision function of the board of directors. CEO Duality expands the power of the company's management, which will bring the threat of the management's encroachment on the company's interests. If the chairman is still the controlling shareholder, his power cannot be effectively supervised, which will induce the risk of abusing his power and infringing on the interests of small and medium shareholders. The modern stewardship theory holds that both the chairman and the general manager will serve the shareholders conscientiously, and CEO Duality can enable the general manager to deal with the uncertain external environment more efficiently. At the same time, CEO Duality is conducive to reducing communication costs, eliminating possible differences in ideas, improving the company's operating efficiency, and thus improving company performance.

(7) Supervisory board size. The larger the supervisory board is, the more reasonable its source of composition is, the richer its professional knowledge is, and the scope of supervision will be wider and stronger, which will reduce the risk of the enterprise and improve its performance. On the other hand, the company's performance and the supervisory board size also have a negative impact. If the company's operating performance is not good or falls into a financial crisis, the major shareholders will initiate the reorganization of the supervisory board, and expand the scale of the supervisory board to improve the supervision ability.

(8) Management compensation. To obtain more returns, shareholders will encourage management to work diligently through means of increasing salaries. To

get more salary, the management will work harder to improve the business performance of the enterprise.

(9) Management shareholding ratio. Due to the information asymmetry between the board of directors and the management, the company owner cannot supervise all the behaviors of the managers, and the managers may seek to maximize their interests. Shareholders often give managers equity incentives, so that managers and shareholders share the company's residual value and company risks, and the interests of managers and shareholders converge.

Based on the above content, this paper puts forward the following hypotheses regarding the impact of CG factors on FP:

Table 2.7 - Hypotheses for the impact of CG attributes on FP

Dependent Variable	**Independent Variable**	**Hypothesis (Positive correlation)**	**Hypothesis (Negative correlation)**
TobinsQ	StateShare	H1.1a	H1.1b
	InstitutionalShare	H1.2a	H1.2b
	Top1Share	H1.3a	H1.3b
	BoardSize	H1.4a	H1.4b
	BoardIndependence	H1.5a	H1.5b
	CEODuality	H1.6a	H1.6b
	SupBoardSize	H1.7a	H1.7b
	LnMngSalary3	H1.8a	H1.8b
	ManagerShare	H1.9a	H1.9b

Variable definitions and descriptions.

(1) Dependent variable. There are many measurement methods of FP, the common ones are the single index measurement method and the comprehensive index measurement method. Among the single indicators to measure FP, are the commonly used return on total assets (ROA), return on equity (ROE), Tobin's Q, earnings per share (EPS), and so on. ROA, ROE, and EPS are accounting indicators, which mainly measure the ability of enterprises to obtain profits through operations. Tobin's Q combines market indicators and accounting indicators, linking the capital market and the real economy. If multiple indicators are used comprehensively to construct an

indicator system, then it is a comprehensive indicator measurement method. If Tobin's Q is greater than 1, it means that the market value is greater than the replacement cost of capital. The larger Tobin's Q, the more wealth the company creates and the better its long-term FP. Tobin's Q comprehensively reflects the company's market value and growth, as well as investors' expectations for future profitability. Therefore, this paper chooses Tobin's Q (TobinsQ) to measure the FP of enterprises.

(2) Independent variable. The shareholding structure reflects the proportion of shares of different natures in the company's total share capital, as well as the relationship between these shares. The shareholding structure is the foundation of the formation of the CG mechanism, which plays a decisive role in the formation of the company's organizational structure, governance model, and supervision mechanism, and directly affects the company's business decision-making and performance. This paper uses ratios to measure different types of shares, including the proportion of state-owned shares (StateShare) and the proportion of institutional shares (InstitutionalShare). In addition, use the shareholding ratio of the largest shareholder to measure the concentration of ownership (Top1Share). The management is the executive body of the company's strategic planning, implementation, and supervision, and the characteristics of the management determine the success of the company's strategy implementation. The characteristics of the management reflect the shareholders' arrangement of the company's internal rights, responsibilities, and obligations, and solve the principal-agent problem caused by the separation of ownership and control. Management characteristics include board size (BoardSize), board independence (BoardIndependence), chairman concurrently as CEO (CEODuality), and supervisory board size (SupBoardSize). Any decision of the company needs to be implemented by the directors, supervisors, and management to be implemented smoothly. The attitude of executives to work determines the development level and rhythm of the company to a certain extent. The incentives for executives can strengthen the enthusiasm of executives and enhance their recognition

of the company, which has an important impact on the development of enterprises. As one of the core contents of CG, the incentive and restraint mechanism of senior management is a key issue in the research of senior management governance and corporate performance. Two variables are used for executive incentives. Short-term incentives are expressed by the natural logarithm of the sum of the company's senior executive salaries (LnMngSalary), and long-term incentives are measured by the proportion of management shares (ManagerShare).

(3) Control variables. Generally speaking, the larger the scale of an enterprise, the more resources it will have, and the greater the possibility of obtaining more economic returns. At the same time, the larger the scale of the enterprise, the more complex the management activities are, and the more standardized CG is needed. There are many indicators to measure the size of a company, such as sales, assets, and number of employees. This paper draws lessons from the usual practice of existing research and uses the natural logarithm (LnSize) of the company's total assets at the end of the year to measure the size of the company. The company's asset-liability ratio reflects the company's debt repayment level and financial risk. The company's debt can reduce the company's cost to a certain extent, but excessive debt leverage will increase the company's liquidity risk. This paper draws lessons from the usual practice of existing research and selects the ratio of total liabilities to total assets at the end of the year to measure the asset-liability ratio (Leverage). The more years a company has been listed, the more social resources it has accumulated, and the richer its management experience, which will help the company gain profits. This paper draws lessons from the usual practice of existing research and selects the company's listed age (ListedYears) as one of the control variables. To control the impact of the company's industry on the research conclusions, an industry dummy variable (IndustryID) was introduced. Table 2.8 shows the meaning and calculation method of the dependent variable and independent variable.

Table 2.8 - Variable definitions

Category	Abbreviation	Meaning	Calculation formula
Financial performance	TobinsQ	Tobin’s Q	Market capitalization / Total assets
Shareholding Structure	StateShare	State-owned share ratio	Number of state-owned shares/Total shares
	InstitutionalShare	Institutional share ratio	Number of institutional shares/Total shares
	Top1Share	Ownership concentration	Number of shares held by the largest shareholder/Total number of shares
Management characteristics	BoardSize	Board size	The number of directors published in the company's annual report
	BoardIndependence	Board independence	Number of independent directors/Total number of board of directors
	CEODuality	CEO duality	1 = chairman and CEO are the same person; 0 = other
	SupBoardSize	Supervisory Board Size	The total number of supervisors in the company's annual report
Management incentives	LnMngSalary3	management compensation	Ln (the sum of the top three remunerations of directors, supervisors, and senior management)
	ManagerShare	Management shareholding ratio	Number of shares held by management /Total number of shares
Control variable	LnSize	Company scale	Ln (Total assets)
	Leverage	Asset-liability ratio	Year-end total liabilities/total assets
	ListedYears	Listed year	Current year - Initial Public Offering year
	IndustryID	Industry code	Coded from the first letter of the industry code

Data sources and sample selection. In 2001, CSRC issued the "Guiding Opinions on Establishing an Independent Director System for Listed Companies", stipulating that all listed companies must establish an independent director system, and required that the board independence should reach 1/3 before June 2003. Therefore, we choose the data of listed companies from 2003 to 2020 as the research sample. The shareholding structure and financial data come from the CSMAR database, and some missing data are obtained from the annual reports of listed companies. To eliminate the impact of extreme values on the robustness of regression results, this paper shrinks the quantiles from 0.1% to 99.9% for all continuous variables that finally enter the regression model. At the same time, according to the characteristics of the data, logarithmic processing is performed on some variables. Following the practice of mainstream research, this section excludes listed companies in the financial industry from the research samples; excludes ST, *ST, PT, and delisted companies; excludes company data in the year of IPO; and excludes cross-listed companies. After the above sample selection process, the unbalanced panel data of 31,441 observations from 2,701 companies from 2003 to 2020 were finally obtained, as shown in Table 2.9.

Table 2.9 - Sample selection process

Step	**Number**	**Remains**
Initial sample	51814	51814
Decrease: Financial company data	986	50828
Decrease: data of ST, PT, delisted companies	4547	46281
Decrease: Data from IPO year	4921	41360
Decrease: data before 2003	5207	36153
Decrease: Data for non-mainboard-listed companies	4712	31441

Source: Author's development.

Model establishment. To test the impact of the three aspects of CG on corporate FP, this section constructs the following regression model:

TobinsQ = β0 + β1StateShare + β2InstitutionalShare + β3Top1Share + β4BoardSize + β5BoardIndependence + β6CEODuality + β7SupBoardSize + β8LnMngSalary3 + β9ManagerShare + β10LnSize + β11Leverage + β12ListedYears + β13IndustryID + ε

Among them, TobinsQ is the dependent variable, representing FP. β0-β13 are coefficients of independent variables or control variables, and ε is a random error. See Table 2.8 for descriptions of independent variables and control variables.

Results and discussion.

In the process of data analysis, this paper uses Stata17.0, using descriptive statistics, correlation statistics, multiple regression analysis, and other methods. In the multiple regression analysis, the influence of enterprise size, leverage ratio, listing years, and industry is controlled. Table 2.10 shows the annual distribution of the data, with the sample size growing each year. The peak of sample growth occurred in 2011 and 2018, which is consistent with the process of China's economic development.

Table 2.10 - Descriptive statistics by year

Year	**Frequency**	**Percentage (%)**	**Cum. (%)**
2003	1051	3.34	3.34
2004	1108	3.52	6.87
2005	1200	3.82	10.68
2006	1215	3.86	14.55
2007	1269	4.04	18.58
2008	1370	4.36	22.94
2009	1433	4.56	27.50
2010	1491	4.74	32.24
2011	1697	5.40	37.64
2012	1838	5.85	43.48
2013	1900	6.04	49.53
2014	1901	6.05	55.57
2015	1966	6.25	61.83
2016	2089	6.64	68.47
2017	2220	7.06	75.53
2018	2506	7.97	83.50
2019	2564	8.15	91.66
2020	2623	8.34	100.00
Total:	31441	100	

Source: Author's development.

Table 2.11 shows the industry distribution of listed companies. It can be seen that the largest number is manufacturing companies, with 19,644 observations, accounting for 62.48%. Followed by the wholesale and retail industry, there are 1,975 observations, accounting for 6.28%. The third is the real estate industry, with 1,710 observations, accounting for 5.44%.

Table 2.11 - Number and Proportion of Firms by Industry Classification

Industry Code	Industry Name	Frequency	Percentage (%)	Cum. (%)
A	Agriculture, forestry, animal husbandry, and fishery	486	1.55	1.55
B	Mining industry	799	2.54	4.09
C	Manufacturing	19644	62.48	66.57
D	Electricity, heat, gas and water production and supply	1350	4.29	70.86
E	Construction industry	892	2.84	73.70
F	Wholesale and retail	1975	6.28	79.98
G	Transportation, storage and postal industry	1280	4.07	84.05
H	Accommodation and Catering Industry	131	0.42	84.47
I	Information transmission, software and information technology service industry	1205	3.83	88.30
K	Real estate	1710	5.44	93.74
L	Leasing and business services	386	1.23	94.97
M	Scientific research and technical service industry	153	0.49	95.45
N	Water conservancy, environment and public facilities management industry	320	1.02	96.47
O	Resident services, repairs and other services	54	0.17	96.64
P	Education	26	0.08	96.72
Q	Health and social work	34	0.11	96.83
R	Culture, sports and entertainment industry	306	0.97	97.81
S	Comprehensive	690	2.19	100.00
Total		31441	100	

Source: Author's development.

Table 2.12 presents descriptive statistics for dependent, independent, and control variables. Since the state's shareholding has an important impact on the performance of listed companies, this paper divides all samples into two groups for analysis. One group is non-state-funded enterprises (StateShare=0), abbreviated as Non-SIE. The other group is state-funded enterprises (StateShare>0), including wholly state-owned companies, state-controlled companies, and companies with state-owned shares, abbreviated as SIE. Panel A is the descriptive statistics result of the sample as a whole, panel B is the descriptive statistics result of the Non-SIE group, and panel C is the descriptive statistics result of the SIE group.

The descriptive statistics of the study sample as a whole are as follows. The minimum value of TobinsQ is 0.767, the maximum value is 39.67, the mean value is 1.975, the median value is 1.46, and the standard deviation is 2.079, indicating that there are large differences in FP. The minimum value of StateShare is 0%, the maximum value is 85%, and the average value is 11.1% (representing the average value of all observations). After statistics, StateShare has 20,660 observations equal to 0%, accounting for 65.71%, and 10,743 observations greater than 0%, accounting for 34.17%. In SIE, the average state ownership is 32.53%. The average value of InstitutionalShare reached 50.4%, and the median was 52.9%, indicating that institutional investors accounted for a large share. The minimum value of Top1Share is 4.3%, the maximum value is 86.4%, and the average value is 36.7%. The minimum BoardSize is 3, the maximum is 18, the mean is 8.945, and the median is 9, indicating that most of the board size of listed companies in China is 9 people. Further statistics show that there are 15,227 observations that the number of board members is 9, accounting for 48.43%. The minimum value of BoardIndependence is 0%, the maximum value is 66.7%, and the median is 33.3%, which only reached the minimum ratio stipulated by the state. The minimum value of BoardIndependence is 0% because there were 3 companies in 2003 and 4 companies in 2004 that did not hire independent directors as required by the regulator. The average value of CEODuality is 20.6%, which means that 20.6% of the observations are CEO duality.

The minimum value of SupBoardSize is 0, the maximum value is 15, the average value is 3.804, and the median value is 3, indicating that most of the board size of listed companies in China is 3 people. Further statistics show that there are 20,146 observations that the number of supervisors is less than or equal to 3, accounting for 64.08%. The minimum value of ManagerShare is 0%, the maximum value is 69.4%, the average value is 2.9%, and the median value is 0%, which shows that most of the listed companies have a relatively low shareholding ratio of managers. Further statistics show that there are 17,961 observations with ManagerShare equal to 0, accounting for 57.13%.

Table 2.12-Descriptive statistics

Panel A: Overall

VarName	Obs	Min	Max	mean	Median	SD
Tobins Q	30712	0.767	39.670	1.975	1.460	2.079
StateShare	31403	0.000	0.850	0.111	0.000	0.204
Institutional Share	31362	0.000	1.000	0.504	0.529	0.223
Top1Share	31402	0.043	0.864	0.367	0.345	0.157
BoardSize	31260	3.000	18.000	8.945	9.000	1.865
BoardIndependence	31260	0.000	0.667	0.368	0.333	0.056
CEODuality	29113	0.000	1.000	0.206	0.000	0.404
SupBoardSize	31400	0.000	15.000	3.804	3.000	1.254
LnMngSalary3	29209	9.210	18.292	14.257	14.288	0.869
ManagerShare	27855	0.000	0.694	0.029	0.000	0.089
LnSize	31438	10.842	28.636	22.104	21.959	1.405
Leverage	31438	0.018	9.841	0.502	0.479	0.463
Listed Years	31441	1.000	30.000	10.880	10.000	6.644

Panel B: Non-SIE

VarName	Obs	Min	Max	mean	Median	SD
Tobins Q	20206	0.767	39.670	2.173	1.590	2.385
StateShare	20660	0.000	0.000	0.000	0.000	0.000
Institutional Share	20619	0.000	1.000	0.456	0.476	0.232
Top1Share	20659	0.043	0.864	0.349	0.329	0.151

BoardSize	20615	3.000	18.000	8.650	9.000	1.712
BoardIndependence	20615	0.000	0.667	0.373	0.333	0.055
CEODuality	19991	0.000	1.000	0.240	0.000	0.427
SupBoardSize	20658	0.000	15.000	3.596	3.000	1.098
LnMngSalary3	20225	9.680	18.292	14.388	14.388	0.811
ManagerShare	19020	0.000	0.694	0.039	0.000	0.102
LnSize	20658	13.763	28.636	22.123	21.998	1.369
Leverage	20658	0.018	9.841	0.478	0.451	0.431
Listed Years	20660	1.000	30.000	11.131	10.000	6.978

Panel C: SIE

VarName	Obs	Min	Max	mean	Median	SD
Tobins Q	10506	0.767	39.670	1.595	1.267	1.218
StateShare	10743	0.000	0.850	0.325	0.324	0.229
Institutional Share	10743	0.003	1.000	0.594	0.606	0.171
Top1Share	10743	0.047	0.864	0.401	0.389	0.162
BoardSize	10645	3.000	18.000	9.516	9.000	2.011
BoardIndependence	10645	0.000	0.667	0.358	0.333	0.055
CEODuality	9122	0.000	1.000	0.130	0.000	0.336
SupBoardSize	10742	1.000	14.000	4.203	4.000	1.427
LnMngSalary3	8984	9.210	17.569	13.962	14.017	0.920
ManagerShare	8835	0.000	0.645	0.006	0.000	0.039
LnSize	10780	10.842	28.405	22.067	21.884	1.470
Leverage	10780	0.018	9.841	0.548	0.522	0.516
Listed Years	10781	1.000	30.000	10.398	10.000	5.922

Source: Author's development.

Table 2.13 shows the results of the correlation analysis. It can be seen here that BoardIndependence, CEODuality, ManagerShare, Leverage, ListedYears are significantly positively correlated with TobinsQ, and StateShare, InstitutionalShare, Top1Share, BoardSize, SupBoardSize, LnMngSalary3, LnSize are significantly negatively correlated. The largest correlation coefficient is InstitutionalShare and Top1Share (0.555, p <0.01), followed by LnMngSalary3 and LnSize (0.523, p<0.01), and thirdly between CEODuality and ManagerShare (0.443, p<0.01).

Table 2.13 - Correlation matrix

	Tobins Q	**StateShare**	**Institutional Share**	**Top1Share**	**BoardSize**	**BoardIndependence**	**CEODuality**	**SupBoardSize**	**LnMngSalary3**	**Manager Share**	**LnSize**	**Leverage**	**Listed Years**
TobinsQ	1												
StateShare	-0.139***	1											
InstitutionalShare	-0.092***	0.354***	1										
Top1Share	-0.129***	0.354***	0.555***	1									
BoardSize	-0.119***	0.207***	0.224***	0.054***	1								
BoardIndependence	0.064***	-0.139***	-0.068***	0.007	-0.401***	1							
CEODuality	0.069***	-0.134***	-0.184***	-0.071***	-0.169***	0.107***	1						
SupBoardSize	-0.098***	0.237***	0.233***	0.107***	0.370***	-0.119***	-0.148***	1					
LnMngSalary3	-0.068***	-0.262***	0.070***	-0.024***	0.029***	0.067***	0.035***	-0.054***	1				
ManagerShare	0.014**	-0.157***	-0.436***	-0.016***	-0.146***	0.098***	0.443***	-0.171***	0.047***	1			
LnSize	-0.340***	-0.036***	0.320***	0.196***	0.195***	0.090***	-0.103***	0.179***	0.523***	-0.108***	1		
Leverage	0.238***	0.035***	0.042***	-0.035***	0.028***	-0.001	-0.041***	0.043***	-0.099***	-0.104***	-0.039***	1	
Listed Years	0.056***	-0.145***	0.103***	-0.125***	0.007	0.051***	-0.148***	0.095***	0.186***	-0.308***	0.296***	0.115***	1

*Notes: *, **, and *** indicate significance at 0.1, 0.05, and 0.01, respectively.*

Source: Author’s development.

Table 2.14 shows the regression analysis results of CG factors on TobinsQ. In Table 2.2.8, (1) is the regression result of the whole sample, (2) is the result of the robustness test using L.TobinsQ with one lag, (3) is the regression result of the Non-SIE group, (4) is the regression result of the SIE group.

The result (1) is the result of multiple regression analysis using the entire sample.

StateShre and TobinsQ were significantly negatively correlated (coefficient -0.912, $p<0.01$), and hypothesis H1.1b was verified. The results show that enterprises with a low proportion of state-owned shares have better FP. The non-SIE group does not have national stocks, so the regression coefficient is 0, which is in line with statistical principles. In the SIE group, StateShare was significantly negatively correlated with TobinsQ (coefficient -0.922, $p<0.01$). There may be three reasons for this result. First, although the state holds shares but has no real representation, it is essentially a Type I agency problem. The state entrusts the shares to the dispatched directors, and the directors entrust them to the operators. The chain of entrustment is longer and the agency cost is higher. Second, in addition to pursuing economic goals, SIE also has non-economic goals such as national strategic investment, maintaining the supply of social necessities, and ensuring employment. At the same time, SIE is more responsible for improving employee benefits and other internally-oriented CSR that require a large amount of long-term investment, which will reduce performance levels (Zou & Wu, 2015). Third, SIE can obtain more credit support, policy support, and financial subsidies, so it can continue to operate when its FP declines (Pasko, Chen, Tkal, *et al.*, 2021). If faced with the same financial difficulties, Non-SIE may go bankrupt because they cannot obtain credit support, so the lower FP of SIE is also a phenomenon of "survivor bias".

InstitutionalShare and TobinsQ were significantly positively correlated (coefficient 1.179, $p<0.01$), and hypothesis H1.2a was verified. The results show that firms with a higher proportion of institutional ownership have better FP. Similar results were obtained in the Non-SIE group (coefficient 1.587, $p<0.01$) and SIE group (coefficient 0.642, $p<0.01$). Institutional investors are the main participants in the stock market in developed countries and have played an important role in the growth of the stock market. This phenomenon is also happening in China. Institutional investors have information advantages and experience advantages and have screened out excellent listed companies for investment. Listed companies with good performance will also choose ideal institutional investors, and there may be a two-way selection process between them. After institutional investors become shareholders, they will use their information and experience advantages to help companies further improve their FP. This is a positive cycle.

Top1Share was significantly negatively correlated with TobinsQ (coefficient -0.672, $p<0.01$), hypothesis H1.3b was verified. The results show that firms with low ownership concentration have better FP. In the Non-SIE group, Top1Share was significantly negatively correlated with TobinsQ (coefficient -1.309, $p<0.01$). The higher the ownership concentration of listed companies, the more decision-making power will be concentrated in the hands of controlling shareholders. If major shareholders get more benefits from " Tunnels" than operating income, they will choose to hollow out the resources of listed companies to benefit. This manifests itself as the type II agency problem, that is, the controlling shareholder violates the rights and interests of the small and medium shareholders, thereby gaining personal benefits. A common practice is that the controlling shareholder alone, or multiple major shareholders conspire to make decisions that are harmful to the listed company by using their control. Such problems may manifest in the form of unfair related party transactions, manipulation of stock prices, delay in payment of dividends or non-payment of dividends, etc. In addition, controlling shareholders will also use accounting methods to occupy listed company funds, or adopt aggressive financial policies, resulting in the loss of listed company assets (Pasko, Chen, Birchenko, *et al.*, 2021). In the SIE group, there was no significant correlation between Top1Share and TobinsQ (coefficient 0.095, $p>0.1$).

BoardSize was significantly negatively correlated with TobinsQ (coefficient -0.021, $p<0.05$), hypothesis H1.4b was verified. The results suggest that firms with smaller boards of directors have better FP. In the Non-SIE group, BoardSize was significantly negatively correlated with TobinsQ (coefficient -0.044, $p<0.01$). When the board of directors of listed companies is small, the cost of communication and coordination is low. The larger the size of the board, the higher the cost of internal coordination, and the more likely it is to make suboptimal decisions due to compromise. According to the statistics of this paper, the average size of the board of directors of listed companies in China has been declining. There are two possible reasons why some companies have increased board size. One reason could be that the company's investments in new businesses lead to lower FP. At the same time, the development of new businesses requires the introduction of new board members to enhance management capabilities. Another reason is that the company introduces new investors due to poor financial conditions, and directors representing new investors also need to join the board of directors. In addition, in the SIE group, there was no significant correlation between BoardSize and TobinsQ (coefficient 0.006, $p>0.1$).

BoardIndependence was significantly positively correlated with TobinsQ (1.797, $p<0.01$), hypothesis H1.5a was verified. The results show that companies with high board independence have better FP. Similar results were obtained in the Non-SIE group (1.763, $p<0.01$) and the SIE group (1.797, $p<0.01$). Independent directors use professional knowledge background, industry experience, and social resources to provide consulting services for enterprises and supervise the behavior of management. Independent directors can reduce information asymmetry and help to enhance corporate value. Independent directors have a strong motivation to maintain a personal reputation, so they will play a role in improving CSR and safeguarding the interests of all shareholders.

CEODuality was significantly positively correlated with TobinsQ (coefficient 0.167, $p<0.01$), and hypothesis H1.6a was verified. The results show that companies with CEODuality have better FP. In the Non-SIE group, CEODuality was significantly positively correlated with TobinsQ (coefficient 0.197, $p<0.01$). On the one hand, CEODuality appears more in Non-SIE, they are more sensitive to market changes and thus have higher FP. On the other hand, CEODuality can reduce the cost of communication and coordination between the chairman and general manager, and improve the efficiency of decision-making and execution of listed companies. In the SIE group, there was no significant correlation between CEODuality and TobinsQ (coefficient -0.047, $p>0.1$). To limit the abuse of power, the government rarely approves the chairman to serve as the CEO in wholly state-owned enterprises and state-controlled enterprises, so CEODuality has nothing to do with TobinsQ in SIE.

There is no significant correlation between SupBoardSize and TobinsQ (coefficient -0.006, $p>0.1$), and hypotheses H1.7a and H1.7b have not been verified. The results show no significant correlation between supervisory board size and FP. Similar results were obtained in the Non-SIE group (coefficient -0.021, $p>0.1$) and SIE group (coefficient -0.003, $p>0.1$). The responsibilities of the supervisory board and independent directors of listed companies in China partially overlap, leading to the possibility of mutual buck-passing between the two, resulting in a small role for the supervisory board. At the same time, the supervisory board has no real decision-making power in the process of enterprise operation and management, so it cannot have a significant impact on FP.

LnMngSalary3 was significantly positively correlated with TobinsQ (coefficient 0.438, $p<0.01$), and hypothesis H1.8a was verified. The results show that firms with higher total management compensation have better FP. Similar results were obtained in Non-SIE and SIE. In general, management compensation is directly proportional to operating performance, and management works hard for higher compensation, which improves the FP of listed companies. This shows that management compensation plays a significant role in motivating management to perform their due diligence.

There was no significant correlation between ManagerShare and TobinsQ (coefficient 0.088, $p>0.1$), and hypotheses H1.9a and H1.9b was not verified. The results show no significant correlation between management's shareholding ratio and FP. In the Non-SIE group, the average management shareholding ratio is 3.9%, in the

SIE group the average management shareholding ratio is 0.6%. Related research also shows that the effect of equity incentives in SOE on improving corporate performance is higher than that in non-SOE (C. Wang *et al.*, 2013). In the Non-SIE group, there was no significant correlation between ManagerShare and TobinsQ (coefficient 0.121, p<0.01). Non-SIE tends to be more inclined to use equity incentives when choosing management incentives. In the context of the common use of equity incentives, it is normal to have no significant correlation between ManagerShare and TobinsQ. The way of equity incentive will reduce the agency cost to a certain extent, and encourage the management to consider the long-term interests of the enterprise, to maximize the personal interests of the management. In the SIE group, ManagerShare was significantly positively correlated with TobinsQ (coefficient 1.422, p<0.01). In SIE, equity incentives can play a role in long-term incentives and promote the due diligence of management to obtain more personal benefits.

The result (2) is the result of the robustness test using L.TobinsQ with one lag as the dependent variable. Among the dependent variables, except for the significant changes in the regression coefficients of SupBoardSize, TobinsQ, and L.TobinsQ, the signs and significance of the coefficients of other variables have not changed. It can be considered that the results of the model are robust.

The result (3) is the regression analysis result of the Non-SIE group, and the data analysis uses the sample of StateShare=0. InstitutionalShare(coefficient 1.587, p<0.01), BoardIndependence(1.763, p<0.01), CEODuality(0.197, p<0.01), LnMngSalary3(0.461, p<0.01) were significantly positively correlated with TobinsQ. Top1Share(-1.309, p<0.01), BoardSize(-0.044, p<0.01) were significantly negatively correlated with TobinsQ. SupBoardSize(-0.021, p>0.1), ManagerShare(0.121, p>0.1) had no significant correlation with TobinsQ.

The result (4) is the regression analysis result of the SIE group, and the sample with StateShare>0 is used for data analysis. InstitutionalShare(0.642, p<0.01), BoardIndependence(1.197, p<0.01), LnMngSalary3(0.292, p<0.01), ManagerShare

(1.422, p<0.01) were significantly positively correlated with TobinsQ. StateShare (-0.922, p<0.01) was significantly negatively correlated with TobinsQ. Top1Share (0.095, p>0.1), BoardSize (0.006, p>0.1), CEODuality (- 0.047, p>0.1), SupBoardSize (-0.003, p>0.1) had no significant correlation with TobinsQ.

Table 2.14 - Regression Results of TobinsQ

	(1)	**(2)**	**(3)**	**(4)**
	TobinsQ	**L.TobinsQ**	**TobinsQ Non-SIE**	**TobinsQ SIE**
StateShare	-0.912***	-0.629***	0.000	-0.922***
	(-12.80)	(-7.96)	(.)	(-11.41)
InstitutionalShare	1.179***	0.990***	1.587***	0.642***
	(13.38)	(10.47)	(14.30)	(5.48)
Top1Share	-0.672***	-0.620***	-1.309***	0.095
	(-5.54)	(-4.86)	(-7.99)	(0.72)
BoardSize	-0.021**	-0.025**	-0.044***	0.006
	(-2.18)	(-2.48)	(-3.34)	(0.68)
BoardIndependence	1.797***	1.141***	1.763***	1.197***
	(6.84)	(4.06)	(5.12)	(4.15)
CEODuality	0.167***	0.141***	0.197***	-0.047
	(4.92)	(3.84)	(4.79)	(-1.09)
SupBoardSize	-0.004	-0.025*	-0.021	-0.003
	(-0.26)	(-1.71)	(-1.00)	(-0.24)
LnMngSalary3	0.438***	0.382***	0.461***	0.292***
	(22.13)	(18.12)	(17.53)	(13.85)
ManagerShare	0.088	0.279	0.121	1.422***
	(0.46)	(1.31)	(0.55)	(3.76)
LnSize	-0.970***	-0.738***	-1.085***	-0.494***
	(-65.85)	(-48.61)	(-54.93)	(-33.18)
Leverage	1.073***	0.534***	1.586***	0.842***
	(34.40)	(16.76)	(37.22)	(26.16)
ListedYears	0.061***	0.059***	0.064***	0.015***
	(23.98)	(22.14)	(19.22)	(5.14)

IndustryID	-0.019***	-0.008*	-0.019***	-0.011***
	(-4.61)	(-1.73)	(-3.33)	(-2.76)
_cons	15.450***	11.700***	17.711***	7.401***
	(47.82)	(35.13)	(40.35)	(23.58)
N	25593	24089	18183	7410

*Notes: *, ** and *** indicate significance at 0.1, 0.05 and 0.01, respectively.*

Source: Author's development.

The hypothesis test results of multiple regression analysis in this section are shown in Table 2.15.

Table 2.15 - Hypothesis Testing Results

Dependent Variable	**Independent Variable**	**Hypothesis (Positive correlation)**		**Hypothesis (Negative correlation)**	
Tobin's Q	StateShare	H1.1a	Rejected	H1.1b	Confirmed
	Institutional Share	H1.2a	Confirmed	H1.2b	Rejected
	Top1Share	H1.3a	Rejected	H1.3b	Confirmed
	BoardSize	H1.4a	Rejected	H1.4b	Confirmed
	BoardIndependence	H1.5a	Confirmed	H1.5b	Rejected
	CEODuality	H1.6a	Confirmed	H1.6b	Rejected
	SupBoardSize	H1.7a	Rejected	H1.7b	Rejected
	LnMngSalary3	H1.8a	Confirmed	H1.8b	Rejected
	ManagerShare	H1.9a	Rejected	H1.9b	Rejected

2.3 The impact of CG attributes on CSR conduct

Hypothesis development. As mentioned in Section 1.2, based on the CG logic of stakeholders, paying attention to the rights and interests of all stakeholders can provide support for the sustainable development of enterprises. Although fulfilling social responsibility will take up corporate resources and may reduce FP in a short time, FP and CSR conduct are mutually reinforcing in the long run. At the same time, there is not a simple linear relationship between fulfilling social responsibility and FP. Enterprises with different CG attributes, and even different development stages of the same enterprise, both have different mutual influences. For example, private enterprises pay more attention to economic goals, while SOE should take into account both economic goals and social goals (F. Chen, 2021a). After the enterprise develops to a larger scale, the means of simply pursuing economic goals can no longer meet the needs of enterprise development, and private enterprises will choose to improve CSR conduct to promote the achievement of higher economic goals. Therefore, management should try its best to balance the interests of stakeholders, to obtain continuous improvement of the overall value of the enterprise.

In the current related research, there is a lack of recognized measurement standards for CSR conduct. Different scientific research institutions, investment institutions, third-party research institutions, and government departments have established evaluation systems for fulfilling social responsibilities that meet their own needs. The emphasis of these evaluation systems is different, such as whether to include all stakeholders, and whether to include social responsibility disclosure, these differences may lead to significant differences in evaluation results (F. Chen, 2021c). This paper divides CSR conduct into two levels: CSR behavior and CSR disclosure. According to the stakeholder theory, CSR behavior includes the interaction between the enterprise and all stakeholders. CSR behavior helps enterprises establish a good brand image, gain the trust of the public, investors, and the government, and thus obtain more sales revenue, investment, loans, and other resources. Therefore, every enterprise has CSR behavior, but the degree is different. CSR disclosure can reduce information asymmetry and transaction costs, and it is also an important strategic tool for the public relations management of listed companies. Listed companies with good financial status and many CSR behaviors hope to use CSR disclosure to build a good brand image, while companies with poor financial status and few CSR behaviors are often unwilling to disclose CSR information. After the disclosure of CSR information, investors will compare the CSR information of different companies, which may cause stock price fluctuations. In addition, information disclosure may bring unexpected negative effects, which also makes companies reluctant to actively disclose CSR information. This paper mainly verifies the impact of CG attributes on CSR conduct from the three levels of shareholding structure, management characteristics, and management incentives.

(1) Proportion of state-owned shares. State-owned shares represent national interests, so their goals include not only FP but also non-economic goals. For example, large-scale infrastructure investment, ensuring the supply of social necessities, maintaining employment, and ensuring employee benefits. These tasks undertaken by the state-owned shares must include more social responsibilities. Compared with Non-SIE, SIE has advantages in social credit and can obtain more credit support and policy support. At the same time, the state also puts forward higher requirements for SIE to fulfill their social responsibilities and disclose social responsibility information, which also plays a role in promoting SIE to fulfill their social responsibilities.

(2) Institutional shareholding ratio. According to the principal-agent theory, institutional investors are more motivated than non-institutional investors and are more capable of monitoring management. Institutional investors tend to participate more actively in corporate decision-making and use their control to engage in activities that are in the interests of shareholders. Institutional investors, especially long-term holders, pay more attention to the long-term benefits brought by corporate CSR conduct, and they will use their control rights to ensure that corporate management invests in value-creating CSR conduct.

(3) Ownership concentration. According to the principal-agent theory, a high degree of ownership concentration will lead to the behavior of large shareholders encroaching on the interests of small shareholders, which is not conducive to the sustainable development of enterprises, and thus has a negative impact on CSR conduct. Major shareholders are more inclined to enhance the company's value to obtain benefits in the short term and are less willing to fulfill social responsibilities. China's regulatory authorities are gradually increasing the requirements for CSR, and guide listed companies to fulfill their social responsibilities through policy guidance. Larger listed companies have the motivation to establish a good brand image through

CSR conduct, to obtain a higher brand premium.

(4) Board size. Board size affects the governance effect and operating efficiency of the board of directors, thus affecting the performance of CSR. When the board size is larger, directors have more resources and experience and can obtain more resources to fulfill social responsibilities. At the same time, a larger board of directors includes a wider range of stakeholders, which is conducive to making decisions to protect the rights and interests of different stakeholders and is also conducive to fulfilling social responsibilities. At the same time, too large a board of directors will increase the cost of communication, coordination, and decision-making. If the internal contradictions of the board of directors cannot be coordinated, the decisions made by the board of directors are often not the optimal choice, which may be detrimental to CSR conduct.

(5) Board independence. The existence of independent directors can increase the supervision of executives, pay more attention to the interests of other stakeholders, and help enterprises fulfill their social responsibilities. When independent directors exert their self-worth, their independent status and the need to maintain a good reputation make them motivated to promote the protection of the rights and interests of stakeholders and promote the fulfillment of social responsibilities by enterprises. At the same time, excellent independent directors help to enhance the reputation and credibility of the company and help it obtain more resources needed to fulfill social responsibility.

(6) CEO duality. The CEO is in charge of business management and tends to focus on short-term interests. The chairman represents the interests of shareholders and has the function of supervising the CEO and safeguarding the long-term interests of shareholders. The impact of CEO duality has two sides. On the one hand, CEO duality reduces the intensity of internal supervision and increases the risk of large shareholders violating the rights and interests of small and medium shareholders, which is not conducive to the fulfillment of CSR. On the other hand, CEO duality can reduce the cost of internal communication, make decisions quickly in a changing market environment, and provide conditions for fulfilling social responsibilities.

(7) The supervisory board size. The supervisory board is the implementation department of internal control, representing different stakeholders within the enterprise. The larger the supervisory board, the more stakeholders it can accommodate, while strengthening the supervision of the board of directors and management, it has a positive effect on fulfilling CSR. In China, listed companies adopt a two-tier structure with a board of directors and a board of supervisors, but the supervisory board is at the same level as the board of directors and has no decision-making power. In addition, the responsibilities of independent directors and supervisory boards also overlap. These two reasons also limit the role of the board of directors.

(8) Management compensation. According to the principal-agent theory, executive compensation is an effective way of incentive, which can effectively reduce the adverse selection and moral hazard that may arise from agency problems. Higher salary incentives will promote executives to work hard and create better conditions for fulfilling CSR.

(9) Management shareholding ratio. Compared with salary incentives, equity incentives are a long-term incentive mechanism that helps restrain managers' short-term behavior. According to the principal-agent theory and information asymmetry theory, there is information asymmetry and inconsistent interests between management and shareholders, and equity incentives can make the interests of management and shareholders consistent. Therefore, the more shares the management holds, the more they will pay attention to the long-term development of the company, which is conducive to better fulfilling social responsibilities.

Based on the above content, this paper puts forward the following hypotheses regarding the impact of CG factors on CSR conduct:

Table 2.16 - Hypotheses of the effects of CG on CSR conduct

Dependent Variable	**Independent Variable**	**Hypothesis (Positive correlation)**	**Hypothesis (Negative correlation)**
CSRScore	StateShare	H2.1a	H2.1b

	InstitutionalShare	H2.2a	H2.2b
	Top1Share	H2.3a	H2.3b
	BoardSize	H2.4a	H2.4b
	BoardIndependence	H2.5a	H2.5b
	CEODuality	H2.6a	H2.6b
	SupBoardSize	H2.7a	H2.7b
	LnMngSalary3	H2.8a	H2.8b
	ManagerShare	H2.9a	H2.9b
CSRDisclosure	StateShare	H3.1a	H3.1b
	InstitutionalShare	H3.2a	H3.2b
	Top1Share	H3.3a	H3.3b
	BoardSize	H3.4a	H3.4b
	BoardIndependence	H3.5a	H3.5b
	CEODuality	H3.6a	H3.6b
	SupBoardSize	H3.7a	H3.7b
	LnMngSalary3	H3.8a	H3.8b
	ManagerShare	H3.9a	H3.9b

Variable definitions and descriptions.

(1) Dependent variable. *CSR score.* At present, many companies are releasing CSR rating reports, among which the more well-known ones are Rankings Rating and Hexun.com 's "Chinese Listed Companies Social Responsibility Report". According to the comparison of related studies, the Hexun score is more suitable for the evaluation of CSR performance (Zhong *et al.*, 2019). Therefore, this paper chooses Hexun.com to represent the performance of corporate CSR behavior. The Hexun.com report has scored the social responsibility of listed companies since 2010. The evaluation system examines five aspects: shareholder responsibility, employee responsibility, supplier, customer, and consumer rights responsibility, environmental responsibility, and social responsibility, and sets up two and three indicators for comprehensive evaluation of social responsibility. It involves thirteen secondary indicators, namely: profit, debt repayment, return, credit approval, innovation, performance, safety, caring for employees, product quality, after-sales service,

integrity and reciprocity, environmental governance, and contribution value. There are thirty-seven third-level indicators, including per capita income of employees, anti-commercial bribery training, and environmental management system certification (Hexun.com, 2013).

CSR disclosure. The data comes from the statistics of CSR information disclosure in the CSMAR database, which represents the CSR information disclosure of enterprises. Some of these disclosures come from annual reports, and some come from independent CSR reports. This variable reflects 10 disclosures, namely: shareholder rights protection, creditor rights protection, employee rights protection, supplier rights protection, customer and consumer rights protection, environment, and sustainable development, public relations and social welfare undertakings, social responsibility system construction and improvement measures, safety production content, and company's existing deficiencies. If relevant information is disclosed, the value of this item is 1, otherwise, it is 0. This article sums up the data for each company year.

(2) Independent variable. The shareholding structure reflects the proportion of shares of different natures in the company's total share capital, as well as the relationship between these shares. The shareholding structure is the foundation of the formation of the CG mechanism, which plays a decisive role in the formation of the company's organizational structure, governance model, and supervision mechanism, and directly affects the company's business decision-making and performance. This paper uses ratios to measure different types of shares, including the proportion of state-owned shares (StateShare) and the proportion of institutional shares (InstitutionalShare). In addition, use the shareholding ratio of the largest shareholder to measure the concentration of ownership (Top1Share). The management is the executive body of the company's strategic planning, implementation, and supervision, and the characteristics of the management determine the success of the company's strategy implementation. The characteristics of the management reflect the shareholders' arrangement of the company's internal rights, responsibilities, and

obligations, and solve the principal-agent problem caused by the separation of ownership and control. Management characteristics include board size (BoardSize), independent director ratio (BoardIndependence), chairman and CEO (CEODuality), and supervisory board size (SupBoardSize). Executives are the mainstay of the company, and any decision of the company needs to go through the executives to be implemented smoothly. The attitude of executives to work determines the development level and rhythm of the company to a certain extent. The incentives for executives can strengthen the enthusiasm of executives and enhance their recognition of the company, which has an important impact on the development of enterprises. As one of the core contents of CG, the incentive and restraint mechanism of senior management is a key issue in the research of senior management governance and corporate performance. Two variables are used in executive incentives, one is the natural logarithm of the sum of the top three executive salaries (LnMngSalary), and the other is the management shareholding ratio (ManagerShare).

(2) Control variables. Generally speaking, the larger the scale of an enterprise, the more resources it will have, and the greater the possibility of obtaining more economic returns. At the same time, the larger the scale of the enterprise, the more complex the management activities are, and the more standardized CG is needed. There are many indicators to measure the size of a company, such as sales, assets, and number of employees. This paper draws lessons from the usual practice of existing research and uses the natural logarithm (LnSize) of the company's total assets at the end of the year to measure the size of the company. The company's asset-liability ratio reflects the company's debt repayment level and financial risk. The company's debt can reduce the company's cost to a certain extent, but excessive debt leverage will increase the company's liquidity risk. This paper draws lessons from the usual practice of existing research and selects the ratio of total liabilities to total assets at the end of the year to measure the asset-liability ratio (Leverage). The longer the listing time, the more accumulated social resources, and the richer the management experience will help the enterprise to gain profits. This paper draws

lessons from the usual practice of existing research and selects the company's listed age (ListedYears) as one of the control variables. To control the impact of the company's industry on the research conclusions, an industry dummy variable (IndustryID) was introduced.

Table 2.17 - Variable definitions

Category	**Abbreviation**	**Meaning**	**Calculation formula**
CSR Score	CSRScore	CSR score from Hexun.com	Hexun CSR score/100
CSR Disclosure	CSRDisclosure	CSR Disclosure data from CSMAR	Sum of the number of specified disclosure items
Shareholding Structure	StateShare	State-owned share ratio	Number of state-owned shares/Total shares
	InstitutionalShare	Institutional share ratio	Number of institutional shares/Total shares
	Top1Share	Ownership concentration	Number of shares held by the largest shareholder/Total number of shares
Management characteristics	BoardSize	Board size	The number of directors published in the company's annual report
	BoardIndependence	Board independence	Number of independent directors/Total number of board of directors
	CEODuality	CEO duality	1 = chairman and CEO are the same person; 0 = other
	SupBoardSize	Supervisory Board Size	The total number of supervisors in the company's annual report
Management incentives	LnMngSalary3	management compensation	Ln (the sum of the top three remunerations of directors, supervisors, and senior management)
	ManagerShare	Management shareholding ratio	Number of shares held by management/Total number of shares
Control variable	LnSize	Company scale	Ln (Total assets)
	Leverage	Asset-liability ratio	Year-end total liabilities/total assets
	ListedYears	Listed year	Current year - Initial Public Offering year
	IndustryID	Industry code	Coded from the first letter of the industry code

Data sources and sample selection. Since 2010, Hexun.com began to publish the "China Listed Companies Social Responsibility Report" to score the CSR behavior of listed companies. This paper chooses this data to measure CSR behavior, so it uses the data of main board listed companies from 2010 to 2020 for analysis. The shareholding structure and financial data come from the CSMAR database, and some missing data are obtained from the annual reports of listed companies. To eliminate the impact of extreme values on the robustness of regression results, this paper shrinks the quantiles from 0.1% to 99.9% for all continuous variables that finally enter the regression model. According to the characteristics of the data, this paper also performs logarithmic processing or magnitude conversion on some variables. Following the practice of mainstream research, the research sample excludes listed companies in the financial industry; excludes ST, *ST, PT, and delisted companies; excludes company data in the year of IPO; and excludes cross-listed companies. After the above sample selection process, the unbalanced panel data of 22,795 observations from 2,676 companies from 2010 to 2020 are finally obtained, as shown in Table 2.18.

Table 2.18 - Sample Selection Process

Step	Number	Remains
Initial sample	51814	51814
Decrease: Financial company data	986	50828
Decrease: data of ST, PT, delisted companies	4547	46281
Decrease: Data from IPO year	4921	41360
Decrease: data before 2010	13853	27507
Decrease: Data for non-mainboard-listed companies	4712	22795

Source: Author's development.

Model establishment. To test the impact of the three aspects of CG on CSR conduct, this paper constructs the following regression models:

$$CSRScore = \beta0 + \beta1StateShare + \beta2InstitutionalShare + \beta3Top1Share + \beta4BoardSize + \beta5BoardIndependence + \beta6CEODuality + \beta7SupBoardSize + \beta8LnMngSalary3 + \beta9ManagerShare + \beta10LnSize + \beta11Leverage + \beta12ListedYears + \beta13IndustryID + \varepsilon$$

CSRDisclosure = β0 + β1StateShare + β2InstitutionalShare + β3Top1Share + β4BoardSize + β5BoardIndependence + β6CEODuality + β7SupBoardSize + β8LnMngSalary3 + β9ManagerShare + β10LnSize + β11Leverage + β12ListedYears + β13IndustryID + ε

Among them, CSRScore and CSRDisclosure are the dependent variable, β0-β13 is the coefficient of the independent variable or control variable, and ε is the random error.

Results and discussion.

In the process of data analysis, this paper uses Stata17.0, using descriptive statistics, correlation statistics, multiple regression analysis, and other methods. In the multiple regression analysis, the influence of enterprise size, leverage ratio, listing years, and industry is controlled.

Table 2.19 shows the annual distribution of the data, with the sample size growing each year. The peak of sample growth occurred in 2011 and 2018, which is consistent with the process of China's economic development.

Table 2.19 - Descriptive statistics by year

Year	**Frequency**	**Percentage (%)**	**Cum. (%)**
2010	1491	6.54	6.54
2011	1697	7.44	13.99
2012	1838	8.06	22.05
2013	1900	8.34	30.38
2014	1901	8.34	38.72
2015	1966	8.62	47.35
2016	2089	9.16	56.51
2017	2220	9.74	66.25
2018	2506	10.99	77.25
2019	2564	11.25	88.49
2020	2623	11.51	100.00
Total:	22795	100	

Source: Author's development.

Table 2.20 shows the industry distribution of listed companies. It can be seen that the largest number is manufacturing companies, with 14,360 observations, accounting for 63.00%. Followed by the wholesale and retail industry, there are 1,393 observations, accounting for 6.11%. The third is the real estate industry, with 1,278 observations, accounting for 5.61%.

Table 2.20 - Number and Proportion of Firms by Industry Classification

Industry Code	**Industry Name**	**Frequency**	**Percentage (%)**	**Cum. (%)**
A	Agriculture, forestry, animal husbandry, and fishery	313	1.37	1.37
B	Mining industry	635	2.79	4.16
C	Manufacturing	14360	63.00	67.16
D	Electricity, heat, gas and water production and supply	947	4.15	71.31
E	Construction industry	690	3.03	74.34
F	Wholesale and retail	1393	6.11	80.45
G	Transportation, storage and postal industry	893	3.92	84.36
H	Accommodation and Catering Industry	92	0.40	84.77
I	Information transmission, software and information technology service industry	898	3.94	88.71
K	Real estate	1278	5.61	94.31
L	Leasing and business services	290	1.27	95.59
M	Scientific research and technical service industry	146	0.64	96.23
N	Water conservancy, environment and public facilities management industry	239	1.05	97.28
O	Resident services, repairs and other services	15	0.07	97.34
P	Education	26	0.11	97.46
Q	Health and social work	31	0.14	97.59
R	Culture, sports and entertainment industry	274	1.20	98.79
S	Comprehensive	275	1.21	100.00
Total		22795	100	

Source: Author's development.

Table 2.21 presents descriptive statistics for the dependent, independent, and control variables. Since the state's shareholding has an important impact on the CSR conduct of listed companies, this paper divides all samples into two groups for analysis. One group is non-state-funded enterprises (StateShare=0), abbreviated as Non-SIE. The other group is state-funded enterprises (StateShare>0), including wholly state-owned companies, state-controlled companies, and companies with state-owned shares, abbreviated as SIE. Panel A is the descriptive statistics result of the sample as a whole, panel B is the descriptive statistics result of the Non-SIE group, and panel C is the descriptive statistics result of the SIE group.

The descriptive statistics of the study sample as a whole are as follows. The minimum value of CSRScore is -0.172, the maximum is 0.909, the mean is 0.247, the median is 0.222, and the standard deviation is 3.085. It shows that the CSR behavior performance of Chinese listed companies is quite different. The minimum value of CSRDisclosure is 0, the maximum value is 10, the mean is 5.049, the median is 6, and the standard deviation is 0.166. It shows that the intensity of CSR information disclosure of Chinese listed companies is insufficient. Of all 10 pieces of information, only half were disclosed. After statistics, StateShare has 18,131 observations equal to 0%, accounting for 79.53%, and 4,464 observations greater than 0%, accounting for 20.46%. In SIE, the average state shareholding ratio is 22.48%. The average value of InstitutionalShare reached 47.8%, and the median was 52.9%, indicating that institutional investors accounted for a large share. The minimum value of Top1Share is 4.3%, the maximum value is 86.4%, and the average value is 35.7%. The minimum value of BoardSize is 3, the maximum value is 18, the mean value is 8.754, and the median value is 9, indicating that most of the board size of listed companies in China is 9 people. Further statistics show that there are 11,135 observations that the number of board members is 9, accounting for 48.85%. The minimum value of BoardIndependence is 12.5%, the maximum value is 66.7%, and the median value is 33.3%, only reaching the minimum ratio stipulated by the state. The average value of CEODuality is 22.7%, which means that 22.7% of the observations are CEO duality. The minimum value of SupBoardSize is 0, the maximum value is 15, the average value is 3.684, and the median value is 3, indicating that most of the supervisory boards of Chinese listed companies are 3 people. Further statistics show that there are 15,694 observations that the number of supervisors is less than or equal to 3, accounting for 68.85%. The minimum value of ManagerShare is 0%, the maximum value is 69.4%, the average value is 3.6%, and the median value is 0%, which shows that most of the listed companies have a relatively low shareholding ratio of managers. Further statistics show that there are 12,714 observations with ManagerShare equal to 0, accounting for 55.78%.

Table 2.21 - Descriptive statistics

Panel A: Overall

VarName	**Obs**	**Min**	**Max**	**Mean**	**Median**	**SD**
CSRScore	22493	-0.172	0.909	0.247	0.222	0.166
CSRDisclosure	22795	0.000	10.000	5.049	6.000	3.085
StateShare	22778	0.000	0.850	0.046	0.000	0.135
InstitutionalShare	22757	0.000	1.000	0.478	0.500	0.234
Top1Share	22778	0.043	0.864	0.357	0.338	0.154
BoardSize	22750	3.000	18.000	8.754	9.000	1.755
BoardIndependence	22750	0.125	0.667	0.374	0.333	0.056
CEODuality	22418	0.000	1.000	0.227	0.000	0.419
SupBoardSize	22778	0.000	15.000	3.684	3.000	1.173
LnMngSalary3	22735	9.385	18.292	14.466	14.446	0.755
ManagerShare	21251	0.000	0.694	0.036	0.000	0.098
LnSize	22794	13.076	28.636	22.361	22.203	1.386
Leverage	22794	0.018	9.841	0.472	0.457	0.344
ListedYears	22795	1.000	30.000	11.962	12.000	7.128

Panel B: Non-SIE

VarName	Obs	Min	Max	Mean	Median	SD
CSRScore	17983	-0.172	0.909	0.242	0.220	0.161
CSRDisclosure	18131	0.000	10.000	5.093	6.000	3.060
StateShare	18131	0.000	0.000	0.000	0.000	0.000
InstitutionalShare	18110	0.000	1.000	0.449	0.467	0.235
Top1Share	18131	0.043	0.864	0.350	0.331	0.151

BoardSize	18111	3.000	18.000	8.615	9.000	1.687
BoardIndependence	18111	0.125	0.667	0.374	0.333	0.055
CEODuality	17855	0.000	1.000	0.247	0.000	0.431
SupBoardSize	18131	0.000	15.000	3.580	3.000	1.091
LnMngSalary3	18105	9.680	18.292	14.475	14.452	0.761
ManagerShare	16970	0.000	0.694	0.042	0.000	0.106
LnSize	18130	13.763	28.636	22.250	22.099	1.343
Leverage	18130	0.018	9.841	0.460	0.442	0.332
ListedYears	18131	1.000	30.000	11.555	11.000	7.166

Panel C: SIE

VarName	Obs	Min	Max	Mean	Median	SD
CSRScore	4510	-0.113	0.892	0.270	0.227	0.182
CSRDisclosure	4664	0.000	10.000	4.876	6.000	3.175
StateShare	4647	0.000	0.850	0.225	0.145	0.222
InstitutionalShare	4647	0.003	1.000	0.593	0.610	0.190
Top1Share	4647	0.047	0.864	0.388	0.370	0.162
BoardSize	4639	4.000	18.000	9.297	9.000	1.902
BoardIndependence	4639	0.222	0.667	0.371	0.333	0.056
CEODuality	4563	0.000	1.000	0.146	0.000	0.353
SupBoardSize	4647	1.000	14.000	4.090	3.000	1.375
LnMngSalary3	4630	9.385	17.569	14.430	14.428	0.731
ManagerShare	4281	0.000	0.645	0.012	0.000	0.053
LnSize	4664	13.076	28.405	22.792	22.683	1.467
Leverage	4664	0.018	9.841	0.518	0.514	0.383
Listed Years	4664	1.000	30.000	13.548	14.000	6.746

Source: Author's development.

Table 2.22 shows the results of the correlation analysis between the variables. The CG attributes that are significantly positively correlated with CSRScore include StateShare, InstitutionalShare, Top1Share, BoardSize, SupBoardSize, LnMngSalary3, and LnSize. CEODuality, ManagerShare, Leverage, and ListedYears are significantly negatively correlated with CSRScore. Not significantly correlated with CSRScore is BoardIndependence. CG attributes significantly positively correlated with

Table 2.22 - Correlation matrix

	CSRScore	**CSRDisclosure**	**StateShare**	**Institutional Share**	**Top1Share**	**BoardSize**	**BoardIndependence**	**CEODuality**	**SupBoard Size**	**LnMngSalary3**	**ManagerShare**	**LnSize**	**Leverage**	**ListedYears**
CSRScore	1													
CSRDisclosure	0.278***	1												
StateShare	0.078***	-0.054***	1											
InstitutionalShare	0.230***	0.056***	0.286***	1										
Top1Share	0.164***	0.029***	0.235***	0.547***	1									
BoardSize	0.135***	0.039***	0.128***	0.216***	0.040***	1								
BoardIndependence	0.001	0.028***	-0.028***	-0.032***	0.048***	-0.440***	1							
CEODuality	-0.058***	0.022***	-0.105***	-0.187***	-0.063***	-0.176***	0.109***	1						
SupBoardSize	0.101***	0.025***	0.169***	0.235***	0.093***	0.355***	-0.089***	-0.159***	1					
LnMngSalary3	0.226***	0.260***	-0.048***	0.156***	0.005	0.086***	0.005	0.002	-0.007	1				
ManagerShare	-0.038***	0.011	-0.112***	-0.442***	0.003	-0.143***	0.084***	0.466***	-0.174***	-0.018***	1			
LnSize	0.280***	0.283***	0.127***	0.421***	0.230***	0.257***	0.046***	-0.137***	0.255***	0.478***	-0.164***	1		
Leverage	-0.061***	-0.065***	0.043***	0.081***	-0.007	0.079***	0.004	-0.069***	0.094***	-0.024***	-0.132***	0.148***	1	
ListedYears	-0.024***	-0.003	0.042***	0.208***	-0.087***	0.091***	-0.008	-0.195***	0.191***	0.113***	-0.361***	0.267***	0.187***	1

*Notes: *, ** and *** indicate significance at 0.1, 0.05 and 0.01, respectively.*

Source: Author's development.

CSRDisclosure include InstitutionalShare, Top1Share, BoardSize, BoardIndependence, CEODuality, SupBoardSize, LnMngSalary3, significantly negatively correlated with StateShare, and not significantly correlated with ManagerShare. The largest correlation coefficient is between InstitutionalShare and Top1Share (0.547, $p<0.01$), the second is between LnMngSalary3 and LnSize (0.478, $p<0.01$), the third is between CEODuality and ManagerShare (0.466, $p<0.01$).

Table 2.23 is the result of multiple regression analysis of CG factors on CSRScore. (1) is the regression result of all samples, (2) is the robustness test result using L.CSRScore with a lag of one period as the dependent variable, (3) is the regression result of the Non-SIE group, (4) is the SIE group Return the result.

The result (1) is the regression analysis result of CG attributes on CSRScore, and the data analysis uses all samples.

StateShre and CSRScore were significantly positively correlated (coefficient 0.036, $p<0.01$), and hypothesis H2.1a was verified. The results show that companies with a higher proportion of state-owned shares have more CSR behaviors. The non-SIE group does not have national stocks, so the regression coefficient is 0, which is in line with statistical principles. In the SIE group, there was no significant correlation between StateShare and CSRScore (coefficient 0.003, $p>0.1$). This may be because the social responsibilities that SIE has to undertake are fixed, and there is no significant change due to the increase in the proportion of state-owned shares.

InstitutionalShare and CSRScore were significantly positively correlated (coefficient 0.114, $p<0.01$), and hypothesis H2.2a was verified. The results indicate that firms with more institutional ownership have more CSR behaviors. Similar results were obtained in the Non-SIE group (coefficient 0.113, $p<0.01$) and SIE group (coefficient 0.148, $p<0.01$). Institutional investors pay more attention to compliance management, employee rights protection, etc., because these CSR behaviors will ensure the stable operation of the company. At the same time, since investment institutions do not need to bear excessive social responsibilities like SIE, they can choose externally-oriented CSR behaviors, which can also reduce the cost of CSR behaviors.

Top1Share was significantly positively correlated with CSRScore (coefficient 0.034, p<0.01), and hypothesis H2.3a was verified. The results show that companies with higher ownership concentration have more CSR behaviors. In the Non-SIE group, Top1Share was significantly positively correlated with CSRScore (coefficient 0.038, p<0.01). This shows that major shareholders of Non-SIE listed companies are willing to take the initiative to undertake social responsibilities to maintain the company's reputation and sustainable development (Lu *et al.*, 2018). At the same time, some private companies will choose more external-oriented CSR behaviors, thereby reducing the cost of fulfilling social responsibilities (Pasko, Chen, Proskurina, *et al.*, 2021; Zou & Wu, 2015). In the SIE group, there was no significant correlation between Top1Share and CSRScore (coefficient 0.037, p>0.1). There is no significant correlation between Top1Share and CSRScore, which may be because the social responsibility that SIE has to undertake is basically fixed and does not change significantly due to changes in the concentration of equity.

BoardSize was significantly positively correlated with CSRScore (coefficient 0.008, p<0.01), and hypothesis H2.4a was verified. The results suggest that companies with larger boards have more CSR behaviors. Similar results were obtained in the Non-SIE group (coefficient 0.007, p<0.01) and SIE group (coefficient 0.011, p<0.01). Larger boards have stronger diversity, and board members will consider the interests of society, the environment, and stakeholders more, thus promoting more CSR behaviors.

BoardIndependence was significantly positively correlated with CSRScore (coefficient 0.131, p<0.01), and hypothesis H2.5a was verified. The results show that companies with higher board independence have more CSR behaviors. Similar results were obtained in the Non-SIE group (coefficient 0.096, p<0.01) and the SIE group (coefficient 0.156, p<0.01). Independent directors supervise the behavior of the management on behalf of individuals, society, and all shareholders, and provide advice for the enterprise with their knowledge. Supervising enterprises to fulfill more social responsibilities is not only the responsibility of independent directors but also helps to enhance the personal reputation of independent directors, so independent directors have the motivation to promote more CSR behaviors.

CEODuality was significantly negatively correlated with CSRScore (coefficient -0.014, $p<0.01$), and hypothesis H2.6b was verified. The results show that the companies whose chairman and CEO are held by different persons have more CSR behaviors. In the Non-SIE group, CEODuality was significantly negatively correlated with CSRScore (coefficient -0.016, $p<0.01$). From the results of the correlation analysis, it can be seen that the allocation of the chairman and CEO is often characterized by a small scale, low leverage ratio, and short listing period. These companies are usually sensitive to operating costs, and CEODuality is conducive to reducing agency costs, but they are less willing to fulfill CSR. In the SIE group, there was no significant correlation between CEODuality and CSRScore (coefficient 0.008, $p>0.1$). To limit the abuse of power, the government seldom approves the chairman to serve as CEO. At the same time, the social responsibilities of SIE are fixed, and will not be affected by whether the chairman of the board of directors concurrently holds the post of CEO.

SupBoardSize was significantly positively correlated with CSRScore (coefficient 0.006, $p<0.01$), and hypothesis H2.7a was verified. The results show that companies with larger supervisory boards have more CSR behaviors. In the Non-SIE group, SupBoardSize was significantly positively correlated with CSRScore (coefficient 0.008, $p<0.01$). The increase in the supervisory board size improves the intensity of supervision and can promote corporate CSR behavior. In the SIE group, there was no significant correlation between SupBoardSize and CSRScore (coefficient 0.004, $p>0.1$). The possible reason is that the social responsibilities that SIE has to undertake are fixed and will not change due to changes in the supervisory board size.

LnMngSalary3 was significantly positively correlated with CSRScore (coefficient 0.012, $p<0.01$), and hypothesis H2.8a was verified. The results indicate that companies with higher management compensation have more CSR behaviors. Similar results were obtained in the Non-SIE group (coefficient 0.012, $p<0.01$) and the SIE group (coefficient 0.015, $p<0.01$). Since management compensation is positively correlated with FP, the higher the management compensation, the better the FP, and the company has more resources to carry out CSR behavior. At the same time, CSR behavior will also enhance the personal reputation of senior managers, which is one of the reasons.

There was no significant correlation between ManagerShare and CSRScore (coefficient 0.023, $p>0.1$), and hypotheses H2.9a and H2.9b was not verified. The results show that the management's shareholding ratio has no significant impact on the company's CSR behavior. In the Non-SIE group, ManagerShare was significantly positively correlated with CSRScore (coefficient 0.033, $p<0.1$). In the case of management holding shares, managers have the motivation to establish a good brand image by fulfilling social responsibilities to improve FP, gain personal reputation, and obtain income from holding shares. If the proportion of shares held by the management is high enough, the management has the identity of the controlling shareholder, then the impact of ManagerShare on CSRScore is similar to that of Top1Share on CSRScore. In the SIE group, there was no significant correlation between ManagerShare and CSRScore (coefficient 0.036, $p>0.1$). The possible reason is that the social responsibility that SIE has to undertake is basically fixed and does not change significantly due to the proportion of management shares.

The result (2) is the result of the robustness test using L.CSRScore lagged one period as the dependent variable. The sign of the coefficient of the dependent variable in the result (2) is consistent with the result (1), only the coefficients of StateShare and ManagerShare have changed. StateShare was significantly positively correlated with CSRScore (coefficient 0.036, $p<0.01$), while StateShare had no significant correlation with L.CSRScore (coefficient -0.009, $p>0.1$). One possible reason may be that the proportion of state-owned shares has a significant impact on current CSR behavior, but not on future CSR behavior. This also shows that the CSR behavior of

SIE also has great changes and short duration. ManagerShare is positively correlated with CSRScore (coefficient 0.023, p>0.1), and negatively correlated with L.CSRScore (coefficient -0.024, p>0.1), but neither has a significant impact. The signs and significance of the regression coefficients of other dependent variables and L.CSRScore have not changed, and the results of the model can be considered to be robust.

The result (3) is the regression analysis result of the Non-SIE group, and the data analysis uses the sample of StateShare=0.

InstitutionalShare, Top1Share, Top1Share, BoardIndependence, SupBoardSize, LnMngSalary3, and ManagerShare are all significantly positively correlated with CSRScore, and CEODuality is significantly negatively correlated with CSRScore. Among the 9 CG attributes, 8 have a significant impact on the CSR behavior of the Non-SIE group. This shows that CG attributes play an important role in the process of Non-SIE fulfilling their social responsibilities.

The result (4) is the regression analysis result of the Non-SIE group, and the data analysis uses the sample with StateShare>0.

InstitutionalShare, BoardSize, BoardIndependence, and LnMngSalary3 are all significantly positively correlated with CSRScore, while StateShare, Top1Share, CEODuality, SupBoardSize, and ManagerShare are not significantly correlated with CSRScore. Among the 9 CG attributes, 4 have a significant impact on the CSR behavior of the SIE group, and 5 have no significant impact. This shows that only specific CG attributes have a significant impact on the CSR behavior of state-owned companies, state-controlled companies, and companies with state-owned shares. These companies are generally referred to as "in the public ownership system", they all accept the guidance of the government, and they have formed similar values internally. Part of their CSR behavior is specified by the government, and the unspecified part remains unchanged for a long period due to reasons such as history, industry, and habits. This also means that the CSR to be undertaken by SIE is fixed and less affected by external factors.

Table 2.23 - Regression Results of CSRScore

	(1)	(2)	(3)	(4)
	CSRScore	L.CSRScore	CSRScore	Non-SHE
StateShare	0.036***	-0.009	0.000	0.003
	(4.03)	(-0.88)	(.)	(0.17)
InstitutionalShare	0.114***	0.067***	0.113***	0.148***
	(13.66)	(7.23)	(12.68)	(6.16)
Top1Share	0.034***	0.062***	0.038***	0.037
	(2.93)	(4.89)	(2.96)	(1.36)
BoardSize	0.008***	0.007***	0.007***	0.011***
	(8.37)	(6.86)	(6.09)	(5.55)
BoardIndependence	0.131***	0.093***	0.096***	0.156***
	(5.09)	(3.33)	(3.38)	(2.69)
CEODuality	-0.014***	-0.010***	-0.016***	-0.008
	(-4.52)	(-2.81)	(-4.84)	(-0.94)
SupBoardSize	0.006***	0.009***	0.008***	0.004
	(4.34)	(6.05)	(4.83)	(1.37)
LnMngSalary3	0.012***	0.011***	0.012***	0.015***
	(6.03)	(5.17)	(5.36)	(3.12)
ManagerShare	0.023	-0.024	0.033*	0.036
	(1.40)	(-1.27)	(1.91)	(0.56)
LnSize	0.014***	0.022***	0.014***	0.015***
	(10.31)	(14.65)	(9.22)	(5.16)
Leverage	-0.033***	-0.031***	-0.040***	-0.016**
	(-9.83)	(-7.36)	(-10.06)	(-2.42)
ListedYears	-0.007***	-0.006***	-0.006***	-0.006***
	(-27.73)	(-25.09)	(-23.27)	(-11.39)
IndustryID	0.004***	0.004***	0.003***	0.003***
	(8.30)	(8.10)	(7.35)	(3.27)
_cons	-0.384***	-0.520***	-0.362***	-0.498***
	(-11.92)	(-14.65)	(-10.17)	(-6.89)

N	20836	18509	16738	4098

*Notes: *, **, and *** indicate significance at 0.1, 0.05, and 0.01, respectively.*
Source: Author's development.

Table 2.24 shows the results of multiple regression analysis of CG factors on CSRDisclosure. (1) is the regression result of all samples, and (2) is the result of the robustness test using L.CSRDisclosure with a one-period lag. The government will require some companies to release social responsibility reports, so this paper divides the samples into Mandatory group and Non-Mondatory group for regression analysis. (3) is the regression result of the Mandatory group, and (4) is the regression result of the Non-Mondatory group. (5) is the regression result of the Non-SIE group, and (6) is the regression result of the SIE group.

The result (1) is the regression analysis result of all samples. StateShre and CSRDisclosure were significantly negatively correlated (coefficient -0.564, p<0.01), and hypothesis H3.1b was verified. The results show that companies with a lower proportion of state-owned shares have higher CSR disclosure intensity. Similar results were obtained in the Non -Mandatory group (coefficient -0.584, p<0.01). There are no state-owned shares in the Non-SIE group, so the regression coefficient is 0, which is also in line with the statistical principle. In the SIE group, StateShare was significantly negatively correlated with CSR Disclosure (coefficient -0.702, p<0.01). The proportion of state-owned shares is negatively related to FP, and the disclosure of more CSR information may hurt the company. These companies are less willing to disclose CSR information due to the motivation of maintaining the brand image and personal reputation of executives.

InstitutionalShare and CSRDisclosure were significantly negatively correlated (coefficient -1.265, p<0.01), and hypothesis H3.2b was verified. The results indicate that companies with a lower proportion of institutional ownership have higher CSR disclosure intensity. Similar results were obtained in the Non-Mandatory group (coefficient -1.463, p<0.01) and Non-SIE group (coefficient -1.513, p<0.01). Combined with the influence of institutional investors on FP and CSR behavior, it shows that institutional investors still have doubts about CSR information disclosure.

According to the theory of information asymmetry, if institutional investors conceal negative information, they will benefit from stable stock prices and normal operations, so they will not actively disclose more information. At present, in China's securities market, various factors such as speculation, insider trading, and information opacity overlap, resulting in information disclosure that often leads to stock price fluctuations. Therefore, institutional investors also try to reduce CSR information disclosure. In the SIE group, there was no significant correlation between InstitutionalShare and CSR Disclosure (coefficient 0.461, p>0.1). This shows that the proportion of institutional ownership does not have a significant impact on the intensity of SIE's CSR information disclosure. In addition, the government has imposed mandatory disclosure of social responsibility reports on large SIE with good FP, which has further weakened the relationship between institutional shareholding ratios and CSR information disclosure.

There was no significant correlation between Top1Share and CSR Disclosure (coefficient 0.303, p>0.1), and the hypotheses H3.3a and H3.3b were not verified. This result shows that ownership concentration has no significant impact on the intensity of CSR disclosure. Similar results appeared in the Non-Mondatory group (coefficient 0.354, p>0.1), Non-SIE group (coefficient 0.274, p>0.1), and SIE group (coefficient -0.448, p>0.1). Since CSR disclosure is more affected by factors such as FP and CSR behavior, ownership concentration is not an important factor affecting CSR disclosure.

BoardSize was significantly negatively correlated with CSRDisclosure (coefficient -0.071, p<0.01), and hypothesis H3.4b was verified. This result suggests that larger boards have lower intensity of CSR disclosure. Similar results were obtained in Non -The mandatory group (coefficient -0.110, p<0.01), Non-SIE group (coefficient -0.050, p<0.05), and SIE group (coefficient -0.087, p<0.01). Considering that board size is negatively related to FP, disclosing more CSR information may hurt the company, so these companies are less willing to disclose CSR information.

There was no significant correlation between BoardIndependence and

CSRDisclosure (coefficient 0.022, p>0.1), and the research hypothesis H2.5a and H2.5b were not verified. The results show that board independence has no significant impact on the intensity of CSR disclosure. Similar results were obtained in Non -The mandatory group (coefficient -0.586, p>0.1), Non-SIE group (coefficient 0.336, p>0.1), and SIE group (coefficient -0.877, p>0.1).

CEODuality was significantly positively correlated with CSRDisclosure (coefficient 0.169, p<0.01), and hypothesis H3.6a was verified. The results show that the CSR disclosure intensity of CEODuality companies is higher. Similar results were obtained in Non -Mandatory group (coefficient 0.202, p<0.01) and Non-SIE group (coefficient 0.219, p<0.01). According to the results of correlation analysis, CEODuality is significantly negatively correlated with company size, financial leverage ratio, and listing years. Therefore, these companies should have the characteristics of small scale, low debt ratio, and late listing. They disclose more CSR information to establish a good corporate image and promote the development of the company. At the same time, due to the characteristics of these companies, they may tend to disclose more information related to externally-oriented CSR behaviors. In the SIE group, there was no significant correlation between CEODuality and CSRDisclosure (coefficient 0.049, p>0.1).

SupBoardSize was significantly negatively correlated with CSRDisclosure (coefficient -0.091, p<0.01), hypothesis H3.7b was verified. This shows that the larger the supervisory board, the lower the intensity of CSR disclosure. Similar results were obtained in Non -Mandatory group (coefficient -0.144, p<0.01), Non-SIE group (coefficient -0.071, p<0.05), and SIE group (coefficient -0.114, p<0.05). From the correlation analysis results, it can be seen that the supervisory board size is significantly positively correlated with the size of the company, the financial leverage ratio, and the number of years listed. Therefore, these companies should have the characteristics of large scale, high debt ratio, and early listing. The supervisory boards of these companies have not played their due role, which may be related to the stock price fluctuations and unexpected negative impacts that CSR information disclosure may bring.

LnMngSalary3 was significantly positively correlated with CSRDisclosure (coefficient 0.598, p<0.01), and hypothesis H3.8a was verified. Similar results were obtained in Non -Mandatory group (coefficient 0.711, p<0.01), Non-SIE group (coefficient 0.586, p<0.01), and SIE group (coefficient 0.702, p<0.01). This indicates that companies with high management compensation have a higher intensity of CSR information disclosure. Companies with higher management compensation generally have better FP and CSR behavior, which is an important basis for more CSR disclosure. In this case, management also strengthens CSR disclosure to enhance personal reputation.

There was no significant correlation between ManagerShare and CSRDisclosure (coefficient -0.029, p>0.1), and hypotheses H3.9a and H3.9b was not verified. Similar results appeared in the Non-Mandatory group (coefficient 0.114, p>0.1). In the Non-SIE group, ManagerShare was significantly negatively correlated with CSR Disclosure (coefficient -0.556, p<0.1). In Non-SIE, when the management's shareholding ratio increases, the relationship between the management's interests and the company's operating performance is more closely related. Management has the incentive to reduce CSR disclosure, maintain a stable stock price, and avoid unexpected negative effects of information disclosure. In the SIE group, ManagerShare was significantly positively correlated with CSR Disclosure (coefficient 3.440, p<0.01). In the SIE group, if the management believes that the value of the company's stock is higher, they will choose equity incentives instead of salary incentives, to maximize their interests. Companies with good performance have more funds to support CSR behaviors, so management is more motivated to increase CSR disclosure.

The result (2) is the result of the robustness test using L.CSRDisclosure with a one-period lag as the dependent variable. The sign of the coefficient of the dependent variable in result (2) is consistent with the result (1), indicating that the results of the regression analysis are robust.

The result (3) is the regression analysis result of the Mandatory group, and the samples used are enterprises that are required by the administrative agency to issue social responsibility reports. The attribute regression coefficients of CG are not significant, which is in line with expectations. This result not only conforms to the statistical law but also verifies the reliability of the data and research methods in this paper.

The result (4) is the regression analysis result of the Non-Mondatory group, and the samples used are enterprises that are not required by administrative agencies to issue social responsibility reports. These enterprises may not have issued social responsibility reports, or they may have released social responsibility reports voluntarily. The attributes of CG are consistent with the regression result (1) in terms of coefficients and significance of significant variables. The coefficient signs of the two variables of BoardIndependence and ManagerShare are different, but there is no significant difference.

The result (5) is the regression analysis result of the Non-SIE group, and the data analysis uses the sample of StateShare=0. CEODuality (coefficient 0.219, $p<0.01$), and LnMngSalary3 (coefficient 0.586, $p<0.01$) were significantly positively correlated with CSRDisclosure. InstitutionalShare (coefficient -1.513, $p<0.01$), BoardSize (coefficient -0.050, $p<0.05$), SupBoardSize (coefficient -0.071, $p<0.05$), ManagerShare (coefficient -0.556, $p<0.1$) were significantly negatively correlated with CSRDisclosure. There was no significant correlation between Top1Share (coefficient 0.274, $p>0.1$), BoardIndependence (0.336, $p>0.1$), and CSRDisclosure.

The result (6) is the regression analysis result of the SIE group, and the data analysis uses the sample with StateShare>0. LnMngSalary3 (coefficient 0.702, $p<0.01$), and ManagerShare (coefficient 3.440, $p<0.01$) were significantly positively correlated with CSRDisclosure. StateShare (coefficient -0.702, $p<0.01$), BoardSize (coefficient -0.087, $p<0.01$), and SupBoardSize (coefficient -0.114, $p<0.05$) were significantly negatively correlated with CSRDisclosure. InstitutionalShare (coefficient 0.461, $p>0.1$), Top1Share (coefficient -0.448, $p>0.1$), BoardIndependence (coefficient -0.877, p>0.1), CEODuality (coefficient 0.049, p>0.1) and CSRDisclosure had no significant correlation.

Table 2.24 - Regression Results of CSRDisclosure

	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
	CSRDisclosure	L.CSRDisclosure	CSRDisclosure	Mandatory	CSRDisclosure	Non-Mandatory
StateShare	-0.564***	-0.539***	-0.248	-0.584***	0.000	-0.702***
	(-3.86)	(-3.08)	(-1.42)	(-3.38)	(.)	(-2.80)
InstitutionalShare	-1.265***	-1.533***	0.102	-1.463***	-1.513***	0.461
	(-8.27)	(-8.99)	(0.40)	(-8.67)	(-9.00)	(1.15)
Top1Share	0.303	0.053	-0.213	0.354	0.274	-0.448
	(1.39)	(0.22)	(-0.67)	(1.46)	(1.09)	(-0.98)
BoardSize	-0.071***	-0.102***	0.008	-0.110***	-0.050**	-0.087***
	(-4.12)	(-5.38)	(0.44)	(-5.35)	(-2.49)	(-2.60)
BoardIndependence	0.022	-0.570	0.254	-0.586	0.336	-0.877
	(0.05)	(-1.15)	(0.49)	(-1.10)	(0.66)	(-0.93)
CEODuality	0.169***	0.169***	-0.007	0.202***	0.219***	0.049
	(3.15)	(2.87)	(-0.08)	(3.36)	(3.69)	(0.38)
SupBoardSize	-0.091***	-0.070**	0.000	-0.144***	-0.071**	-0.114**
	(-3.31)	(-2.35)	(0.00)	(-4.46)	(-2.18)	(-2.46)
LnMngSalary3	0.598***	0.573***	0.034	0.711***	0.586***	0.702***
	(16.51)	(14.32)	(0.65)	(17.46)	(14.43)	(9.04)
ManagerShare	-0.029	-0.263	0.904	0.114	-0.556*	3.440***
	(-0.10)	(-0.77)	(1.00)	(0.35)	(-1.77)	(3.10)
LnSize	0.614***	0.659***	0.101**	0.572***	0.610***	0.695***
	(23.11)	(22.52)	(2.32)	(19.01)	(20.03)	(13.27)
Leverage	-0.305***	-0.472***	-0.057	-0.300***	-0.366***	-0.240**
	(-5.55)	(-6.74)	(-0.25)	(-5.19)	(-5.39)	(-2.25)
ListedYears	0.093***	0.091***	0.016**	0.109***	0.082***	0.046***
	(19.44)	(17.40)	(2.34)	(20.60)	(15.69)	(4.86)
IndustryID	-0.058***	-0.057***	-0.031***	-0.075***	-0.079***	-0.038**
	(-7.11)	(-6.30)	(-2.66)	(-8.45)	(-8.40)	(-2.50)
_cons	-16.402***	-16.635***	4.192***	-16.552***	-16.130***	-19.652***
	(-26.67)	(-24.38)	(4.42)	(-23.47)	(-23.13)	(-15.62)
N	21106	18674	3423	17649	16863	4243

*Notes: *, ** and *** indicate significance at 0.1, 0.05 and 0.01, respectively.*

Source: Author's development.

The results of multiple regression analysis hypothesis testing in this section are shown in Table 2.25.

Table 2.25 - Hypothesis Testing Results

Dependent Variable	**Independent Variable**	**Hypothesis (Positive correlation)**		**Hypothesis (Negative correlation)**	
CSRScore	StateShare	H2.1a	Confirmed	H2.1b	Rejected
	InstitutionalShare	H2.2a	Confirmed	H2.2b	Rejected
	Top1Share	H2.3a	Confirmed	H2.3b	Rejected
	BoardSize	H2.4a	Confirmed	H2.4b	Rejected
	BoardIndependence	H2.5a	Confirmed	H2.5b	Rejected
	CEODuality	H2.6a	Rejected	H2.6b	Confirmed
	SupBoardSize	H2.7a	Confirmed	H2.7b	Rejected
	LnMngSalary3	H2.8a	Confirmed	H2.8b	Rejected
	ManagerShare	H2.9a	Rejected	H2.9b	Rejected
CSRDisclosure	StateShare	H3.1a	Rejected	H3.1b	Confirmed
	InstitutionalShare	H3.2a	Rejected	H3.2b	Confirmed
	Top1Share	H3.3a	Rejected	H3.3b	Rejected
	BoardSize	H3.4a	Rejected	H3.4b	Confirmed
	BoardIndependence	H3.5a	Rejected	H3.5b	Rejected
	CEODuality	H3.6a	Confirmed	H3.6b	Rejected
	SupBoardSize	H3.7a	Rejected	H3.7b	Confirmed
	LnMngSalary3	H3.8a	Confirmed	H3.8b	Rejected
	ManagerShare	H3.9a	Rejected	H3.9b	Rejected

Source: Author's development.

Summary of Section 2

1. The number of listed companies in China has continued to grow from 1992 to 2021. In 1992, the number of listed companies in China was only 55, but in 2021 this number has increased to 4,697. The rapid growth of the number of listed companies shows that the ability of Chinese listed companies to obtain funds from the market is

increasing. In 2021, the ratio of stock market value to GDP will exceed 80%, and Chinese-listed companies will have stronger financing capabilities. As of the end of 2021, the total market value of listed companies in mainland China is approximately US$ 9.2 billion, ranking second in the world.

2. As of December 31, 2021, there are 4,697 companies listed on the Chinese stock market. Among them, the largest number is 3,051 in the manufacturing industry, accounting for 64.96%. The second place is the information transmission, software, and information technology service industry with 383 companies, accounting for 8.15%. The third is 187 retail companies, accounting for 3.98%.

3. From 2003 to 2020, the basic attributes of CG of Chinese listed companies are as follows: (1) The proportion of state-owned shares, the proportion of institutional shares, and ownership concentration have gradually decreased; (2) Board size and supervisory board have continued to decline, while the board independence has continued to increase (3) Management salaries and shareholding ratios are on the rise.

4. The practice of CG in China began with the reform of SOE in 1978. From 1978 to 2022, the practice of CG in China can be divided into five stages. The first stage was from 1978 to 1992, starting the reform of SOE, exploring the establishment of a modern enterprise system, and establishing a securities market and a regulatory mechanism. The second stage is from 1993 to 2001, promulgated the "Company Law of the People's Republic of China", and "Securities Law of the People's Republic of China", established a supervisory board system, and planned to implement the independent director system. The third stage is from 2002 to 2005, when the independent director system was formally implemented, China issued and began to implement the "Code of CG for Listed Companies", and started the share structure reform. The fourth stage is from 2006 to 2019 when the share structure reform was completed, the Securities Law was revised, and the CG Guidelines for Listed Companies were revised. The fifth stage is from 2020 to the present, implementing the newly revised "Securities Law" and carrying out special actions for CG of listed companies.

5. Since 2006, listed companies in China have begun to issue social responsibility reports. As of April 30, 2022, 1,191 listed companies in China's A-share market have released 2021 social responsibility reports, and 215 have released ESG reports, accounting for about one-third of the total. At the same time, 69% of listed companies have never issued a social responsibility report. China currently has a variety of social responsibility reporting standards issued by government agencies, stock exchanges, industry associations, and scientific research institutions at different levels.

6. CSR disclosure can reduce information asymmetry and transaction costs and is also an important strategic tool for the public relations management of listed companies. Listed companies with good financial status and many CSR behaviors hope to use CSR disclosure to build a good brand image, while companies with poor financial status and few CSR behaviors are often unwilling to disclose CSR information. After the disclosure of CSR information, investors will compare the CSR information of different companies, which may cause stock price fluctuations. In addition, information disclosure may bring unexpected negative effects, which also makes companies reluctant to proactively disclose various information including CSR information.

7. This article uses the multiple regression model to analyze the relationship between CG attributes, FP, and CSR conduct. The analysis software used in Stata 17.0. There are three dependent variables used in data analysis, among which FP is measured by Tobin's Q value, CSR behavior is measured by the listed company governance index released by Hexun.com, and CSR disclosure intensity is measured by CSR disclosure data of listed companies in the CSMAR database. The independent variables are three types of CG variables, including shareholding structure (state-owned shareholding ratio, institutional shareholding ratio, and ownership concentration), management characteristics (board size, independent director ratio, CEO duality, board of supervisors size), and management incentives. (management compensation, management shareholding ratio). To analyze the

relationship between CG attributes and FP, this paper uses 2003-2020 data samples, and unbalanced panel data of 31,441 observations from 2,701 companies. To analyze the relationship between CG attributes and CSR conduct (including CSR behavior and CSR disclosure), this paper uses data samples from 2010 to 2020, unbalanced panel data of 22,795 observations from 2,676 companies.

8. Results of multiple regression analysis.

(1) The relationship between CG attributes and FP. CG variables that are significantly positively correlated with FP include InstitutionalShare, BoardIndependence, CEODuality, and LnMngSalary3. CG variables that are significantly negatively correlated with FP include StateShare, Top1Share, and BoardSize. CG variables that have no significant correlation with FP include SupBoardSize and ManagerShare.

(2) The relationship between CG attributes and CSRScore. CG variables significantly positively correlated with CSRScore include StateShare, InstitutionalShare, Top1Share, BoardSize, BoardIndependence, SupBoardSize, and LnMngSalary3. The CG variable that is significantly negatively correlated with CSRScore is CEODuality. The CG variable that has no significant correlation with CSRScore is ManagerShare.

(3) The relationship between CG attributes and CSR Disclosure. CG variables that are significantly positively correlated with CSRDisclosure include CEODuality and LnMngSalary3. The CG variables that are significantly negatively correlated with CSRDisclosure are StateShare, InstitutionalShare, BoardSize, and SupBoardSize. The CG variables that have no significant correlation with CSRDisclosure are Top1Share, BoardIndependence, and ManagerShare.

9. The importance of different categories of CG attributes (the independent variable has a significant impact on the dependent variable as the standard).

(1) Among all the samples, the most influential variable is the shareholding structure variable (8 significant / 9 in total, the proportion is 88.89%), followed by the management characteristic variable (10 significant / 12 in total, the proportion is

83.33%), the least impact is the management incentive variable (3 significant/total 6, the proportion is 50%).

(2) In the Non-SIE group, the most influential is the management characteristic variable (10 significant / 12 in total, the proportion is 83.33%), followed by the management incentive variable (4 significant / 6 in total, the proportion is 66.67%), the least impact is the shareholding structure variable (5 significant / 9 in total, the proportion is 55.56%).

(3) The most influential in the SIE group is the management incentive variable (5 significant / 6 in total, the proportion is 83.33%), followed by the shareholding structure variable (4 significant / 9 in total, the proportion is 44.44%), The least influential is the characteristic variable of management (5 significant / 12 in total, the proportion is 41.67%).

10. The contents of this section are mainly published in the following publications:

(1)Journal Article (Pasko, Chen, Birchenko, *et al.*, 2021; Pasko, Chen, Proskurina, *et al.*, 2021; Pasko, Chen, Tkal, *et al.*, 2021).

(2) Conference Paper (F. Chen, 2021a, 2021c, 2022).

SECTION 3. CG FOR SUSTAINABLE DEVELOPMENT IN CHINA

3.1 Discussion of the Results of the empirical analysis

This paper researches three types of CG attributes and explores their impact on TobinsQ, CSRScore, and CSRDisclosure respectively. The results are shown in Table 3.1.

(1) The proportion of state-owned shares is negatively correlated with FP, positively correlated with CSR behavior, and negatively correlated with CSR disclosure. State-owned shares have more serious type I agency problems, and use a lot of funds when completing social goals, resulting in a decline in FP. When encountering the same financial difficulties, SIE can rely on credit support and subsidies to survive, while Non-SIE may have gone bankrupt, which is also a phenomenon of "survivor bias". SIE's FP is poor, and most of its CSR behavior is internally oriented, so the willingness to disclose CSR is lower.

(2) The proportion of institutional shares is positively correlated with FP, positively correlated with CSR behavior, and negatively correlated with CSR disclosure. Institutional investors have information advantages and experience advantages and have screened out excellent listed companies for investment. Listed companies with good performance will also choose ideal institutional investors, and there is a two-way choice between them. After institutional investors become shareholders, they will use their information and experience advantages to help companies further improve their FP. This is a positive cycle. Since CSR disclosure may bring stock price volatility and unexpected negative effects, institutional investors are less willing to disclose CSR.

(3) Ownership concentration is negatively correlated with FP, positively correlated with CSR behavior, and has no significant correlation with CSR disclosure. In Non-SIE, there is a severe type II agency problem, that is, large shareholders violate the interests of small and medium shareholders. Large shareholders may

Table 3.1 - Relationship between CG and TobinsQ, CSRScore, CSRDisclosure

	Tobins Q			**CSRScore**			**CSRDisclosure**		
	Overall	**Non-SIE**	**SIE**	**Overall**	**Non-SIE**	**SIE**	**Overall**	**Non-SIE**	**SIE**
State Sh are	Negative	-	Negative e	Positive	-	-	Negative e	-	Negative e
Institutional Share	Positive	Positive	Positive	Positive	Positive	Positive	Negative	Negative	-
Top1Share	Negative	Negative	-	Positive	Positive	-	-	-	-
BoardSize	Negative	Negative	-	Positive	Positive	Positive	Negative	Negative	Negative
BoardIndependence	Positive	Positive	Positive	Positive	Positive	Positive	-	-	-
CEODuality	Positive	Positive	-	Negative	Negative	-	Positive	Positive	-
SupBoardSize	-	-	-	Positive	Positive	-	Negative	Negative	Negative
LnMngSalary3	Positive	Positive	Positive	Positive	Positive	Positive	Positive	Positive	Positive
Manager share	-	-	Positive	-	Positive	-	-	-	Positive

Source: Author's development.

obtain personal benefits through " Tunnels", unfair related party transactions, accounting manipulation, stock price manipulation, delay or non-payment of dividends, etc. At the same time, these major shareholders will promote more CSR behaviors for the sustainable development of the company and the establishment of a good brand image.

(4) Board size is negatively correlated with FP, positively correlated with CSR behavior, and negatively correlated with CSR disclosure. The larger the board size of a listed company, the higher the cost of internal coordination, and the easier it is to make suboptimal decisions due to compromise. Larger boards have stronger diversity, and board members will pay more attention to the interests of society, the environment, and stakeholders, which will lead to more CSR behaviors. In the case of lower FP, the CSR disclosure of listed companies will be reduced.

(5) The board independence is positively correlated with FP and CSR behavior, but not significantly correlated with CSR disclosure. Independent directors use their professional knowledge to help listed companies make correct decisions, supervise the behavior of management, and provide support for the improvement of FP. Independent directors have a strong motivation to maintain their reputation, so they will promote more CSR behaviors. Board independence has nothing to do with CSR disclosure, indicating that independent directors have not played their due role in strengthening CSR information disclosure.

(6) CEODuality is positively correlated with FP, negatively correlated with CSR behavior, and positively correlated with CSR disclosure. On the one hand, CEODuality appears more in Non-SIE, they are more sensitive to market changes and thus have higher FP. On the other hand, CEODuality can reduce the cost of communication and coordination between the chairman and general manager, and improve the efficiency of decision-making and execution of listed companies. It is worth noting that CEODuality companies have less CSR behavior, but more CSR disclosure, so it can be inferred that their CSR behavior is more externally-oriented, mainly for brand image building.

(7) The supervisory board size has no significant correlation with FP, is positively correlated with CSR behavior, and is negatively correlated with CSR disclosure. The rights and responsibilities of the supervisory board and independent directors of listed companies in China are unclear, which leads to the inability of the supervisory board to play an effective role. Members of the supervisory board are insiders, resulting in ineffective supervision of the board of directors and management. Since the supervisory board has no decision-making power, it cannot have a significant impact on FP. The supervisory board can promote CSR behavior in Non-SIE, but it does not play a role in SIE.

(8) Management compensation is positively related to FP, CSR behavior, and CSR disclosure. The management works hard for higher compensation, improving the FP of listed companies. The better the FP of listed companies, the more resources

they have to carry out CSR behaviors, which is also the basis for more CSR disclosures. At the same time, executives also need to improve their reputation through CSR conduct, which is a process of mutual promotion.

(9) There is no significant correlation between management's shareholding ratio and FP, CSR behavior, and CSR disclosure. Management shareholding is generally the result of negotiations between the management and the board of directors, and it is also the active choice of the management. Since executive stock ownership is a more commonly used incentive method in Non-SIE, management stock ownership has nothing to do with performance in Non-SIE. In Non-SIE, if managers hold more shares, they have the motivation to establish a good brand image by fulfilling social responsibilities, improving FP, gaining personal reputation, and obtaining income from holding shares. In SIE, the management believes that the stock price will increase, and will choose equity incentives to maximize personal benefits. Companies with good performance have more funds to support CSR behaviors, so the management has the incentive to increase CSR disclosure.

Outside of China, there are mainly three CG models, namely the single-tier system (Anglo-Saxon model), the two-tier system (Continental European model), and the East Asian model (Family Business Organizations) (Ahmad & Omar, 2016). China's securities market was established relatively late. At the beginning of the formation of the CG model of listed companies, it borrowed the two-tier system model and later learned the one-tier system and introduced the independent director system, forming the current model. Table 3.2 shows the comparison of China's listed company governance model with other governance models. Due to the differences between Non-SIE and SIE categories, they are listed separately for discussion.

China's Non-SIE has a high degree of ownership concentration, controlling shareholders control the board of directors more often, independent directors and supervisory board play a weak role, there are more violations of the interests of small and medium shareholders, and the protection of stakeholders is weaker. China's SIE has a high degree of ownership concentration, the Type I agency problem is more

Table 3.2 - Comparison of the CG model of Chinese listed companies and others

Attribute / **Model**	**Non-SIE in China**	**SIE in China**	**Single Tier model**	**Two-tier model**	**East Asian model**
Shareholding structure	relatively concentrated	relatively concentrated	relatively dispersed	Relative concentration, mutual shareholding by legal persons	Relatively centralized, controlled by the family
Concentration of ownership	higher	high	Low	high	high
The role of independent directors	medium	medium	powerful	-	weak
The role of the supervisory board	weak	weak	-	powerful	weak
Supervision subject	shareholder	government	External markets (control market, manager market, bond market)	internal stakeholders	family members
focus on stakeholders	Low	medium	medium	higher	Low
Protection of Minority Shareholders	weak	weak	stronger	weaker	weak
information disclosure	lower	lower	high	medium	medium
Manager Incentives	Salary, Equity	job promotion, salary	Economic incentives, including salaries, bonuses, equity, options, and other material forms	Spiritual incentives, lifetime employment, seniority system, etc.	Motivation within the family
Constraint Mechanisms for Managers	major shareholder	Examination by higher authorities	The willingness of investors, takeover mechanism, manager market, perfect laws, and regulations	Banks enter the company as major shareholders and creditors	family constraints

Source: Author's development.

obvious, the role of independent directors and supervisory board is weak, and the restraint mechanism for managers is also limited. In a single-tier company, the equity is relatively dispersed, independent directors play a stronger role, the protection of the rights and interests of small and medium shareholders is improved through external markets and information disclosure, and the restraint mechanism for managers is relatively complete. The equity of a multi-layered company is relatively concentrated and mainly held by institutions. The supervisory board plays an important supervisory role and better protects the rights and interests of stakeholders. The East Asian model companies have a high degree of ownership concentration, independent directors and boards of supervisors are difficult to play a role in, and the protection of stakeholders and the protection of the rights and interests of small and medium shareholders is also weak. Overall, the shareholding structure determines the distribution of benefits, the ability to supervise determines the ability to protect rights and interests, and information disclosure is the basis for market orientation to play a role.

Combining the conclusions of the empirical research of this paper and the results of the comparison of CG models, this paper believes that the current CG of Chinese listed companies has the following characteristics:

(1) The reasons for the low FP of SIE include two aspects: high agency cost (Type I agency problem) and more social responsibilities.

(2) The social responsibilities undertaken by SIE are fixed, mainly including loss-making operations in industries that are critical to the national economy and people's livelihood, as well as internally-oriented CSR behaviors.

(3) The low FP of SIE may be a kind of "survivor bias". SIE can get more credit support, policy support, and financial subsidies, so it can continue to operate when its FP declines. If faced with the same financial difficulties, Non-SIE may go bankrupt because they cannot obtain credit support, so they will not appear in the statistical scope.

(4) There is a phenomenon of "mutual attraction" between institutional investors

and outstanding listed companies. Only listed companies with great growth potential can attract investment from institutional investors, and institutional investors will in turn promote the sustainable development of listed companies through long-term holding and participation in decision-making.

(5) In the case of high shareholding concentration, the actual controllers of listed companies often use their control rights to obtain more benefits. This kind of problem often manifests itself as major shareholders violating the rights and interests of small and medium shareholders (Type II agency problem), or unfair related party transactions. This phenomenon would be mitigated if effective ownership checks and balances or oversight existed.

(6) Out of the need for cost control, some listed companies will give priority to externally oriented CSR behavior, this phenomenon is more obvious in Non-SIE.

(7) As the main form of short-term incentives, management compensation has a more significant impact than management shareholding.

(8) The relationship between some CG attributes and FP may be inverse. Listed companies with good FP can attract institutional investors, hire more independent directors, pay more remuneration to management, and reward more shares to management.

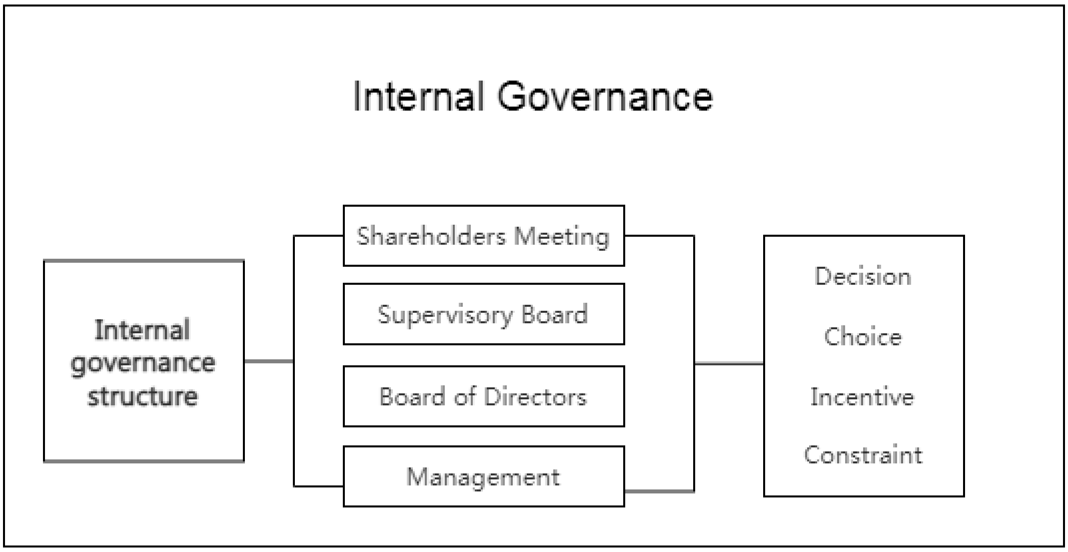
(9) The attributes of CG involved in this study have a greater impact on Non-SIE. In other words, the role of CG mechanisms in SIE is more restricted.

(10) The low level of CSR disclosure of listed companies is because CSR disclosure often brings negative effects. Since the regulatory agencies do not have mandatory disclosure requirements for most listed companies, the CSR disclosure willingness of different companies varies greatly. Only companies with high levels of FP and CSR behavior are willing to increase the intensity of CSR disclosure, while other companies minimize disclosure. If the FP is low, or the CSR behavior is less, listed companies will reduce CSR disclosure. In addition, China's securities market is affected by factors such as speculation, insider trading, and information opacity. As a result, information disclosure often leads to stock price fluctuations. Therefore, listed

companies try to reduce CSR information disclosure as much as possible.

3.2 New Trends of Chinese CG Oriented to Sustainable Development

The mechanism of CG includes internal factors and external factors. Internal CG factors can be exerted by enterprises, and external factors are important means to change the CG environment as a whole. To solve the problems existing in the current Chinese securities market and listed company governance, it is necessary to explore solutions for both internal and external governance factors.



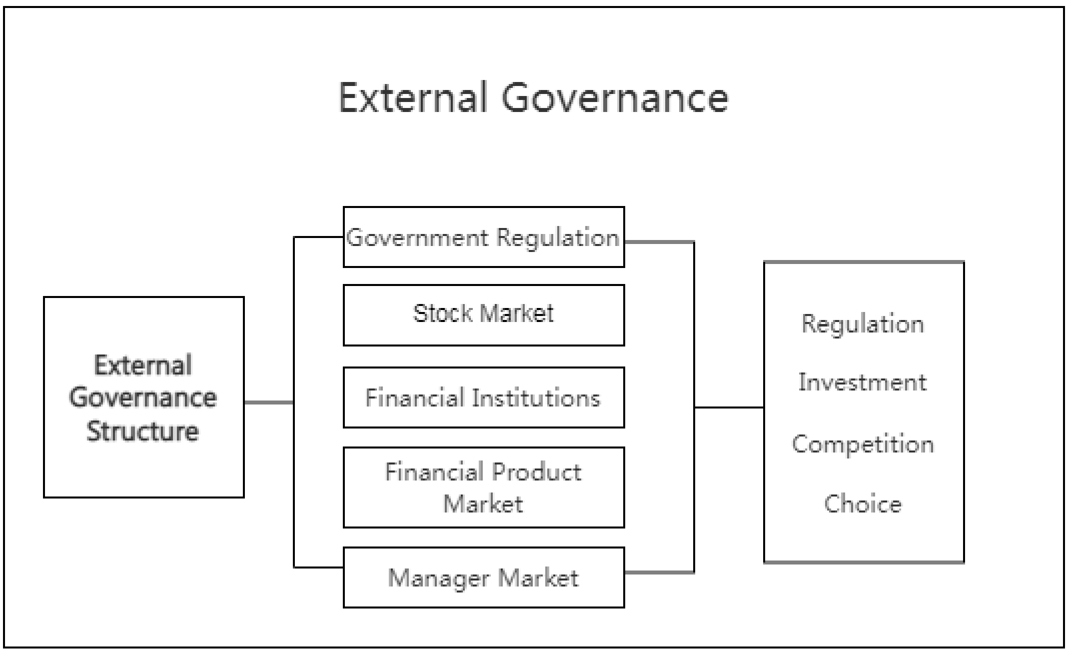


Figure 3.1 - Internal and external governance of the company

Source: Author's development.

Figure 3.1 shows the internal and external factors of CG. It can be seen that the three types of CG attributes involved in this research are all internal governance factors. In the future, the development direction of China's listed companies should be to gradually improve the external market mechanism, promote the development of the capital market, the control market, and the manager market, and guide the free flow of capital and talents to achieve the optimization of resource allocation. At the same time, to protect the rights and interests of small and medium shareholders and other stakeholders, it is necessary to establish the concept of sustainable development in the corporate development strategy and abandon the zero-sum game thinking. Regulatory departments need to pass laws and policies to block the way for the actual controllers of listed companies to obtain benefits from control rights, and guide listed companies to obtain benefits through normal business activities instead of infringing on the rights and interests of stakeholders.

At present, China's regulatory authorities are starting from two aspects of internal governance factors and external governance factors, carrying out important reforms in the securities market and CG, the two most important of which are the revision of the "Company Law" and the implementation of the "Comprehensive Registration System for Listed Companies' Stock Issuance".

At present, China is revising the Company Law, and the Second Review Draft of the Amendment Draft of the Company Law (hereinafter referred to as the Draft Amendment of the Company Law) has been released on December 24, 2022 (Xinhua News Agency, 2022). Although the official version has not been published, it is necessary to discuss it to deepen the content of this study. In the "Draft Amendment to the Company Law", more explorations have been carried out in improving the modern enterprise system with Chinese characteristics, optimizing the company's organizational structure, and improving the effect of CG. Compared with the current "Company Law", the "Company Law Amendment Draft" has several obvious changes.

(1) Enterprises are allowed to choose to implement a single-tier or two-tier organizational structure. In the single-tier organizational structure, the company does not set up a board of supervisors, and the independent directors, employee directors, and audit committee of the board of directors are responsible for supervision. The two-tier system is to set up a board of supervisors/supervisors and perform supervisory functions. Allowing enterprises to choose whether to set up a board of supervisors solves the conflict of supervisory responsibilities between independent directors and supervisory boards to a certain extent.

(2) The protection of employees' rights and interests has been strengthened. The "Draft Amendment to the Company Law" stipulates that for a limited liability company with more than 300 employees, the board of directors shall have company employee representatives. This regulation has strengthened the protection of the rights and interests of employees, an important stakeholder, from the institutional level. At the same time, the Draft Amendment to the Company Law also provides flexible options. If the company has already set up a board of supervisors and employee supervisors, there may be no employee directors on the board of directors.

(3) The strict limit on the number of the company's board of directors has been removed. The original "Company Law" stipulates that the number of seats on the board of directors of a limited liability company is 3-13, and the number of seats on the board of directors of a joint stock company is 5-19. The "Draft Amendment to the Company Law" stipulates that the number of members of the board of directors shall be more than three. The new regulations expand the company's autonomy in setting up board seats and create conditions for the company to independently adjust its governance structure.

(4) Extend the requirements for wholly state-owned companies to SIE. The 2018 revision of the Company Law has special provisions for wholly state-owned companies. In the Draft Amendment of the Company Law, the scope of application of these provisions is extended to SIE. The expansion of the scope of application of the relevant clauses is consistent with the grouping method in this article, which also

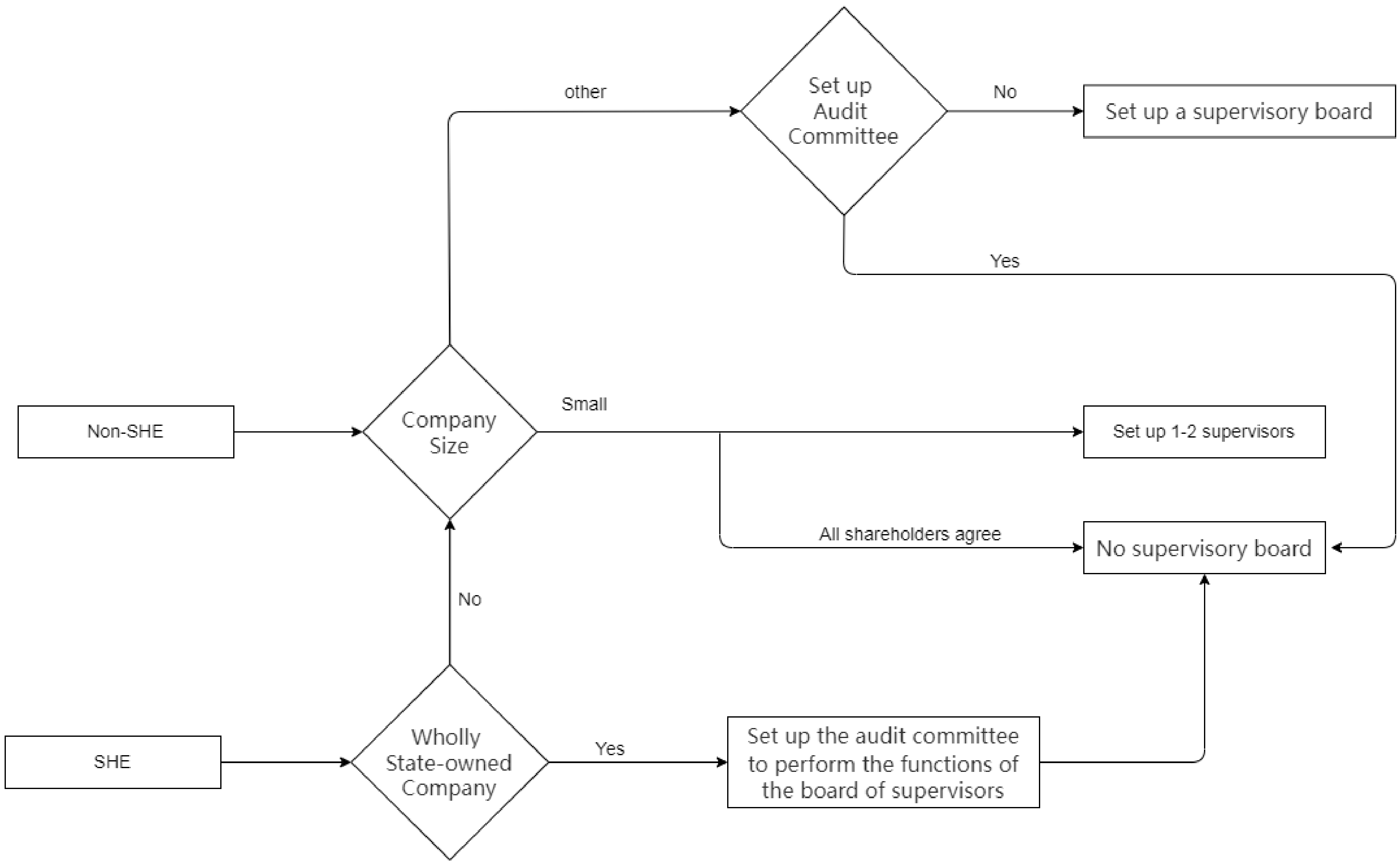


Figure 3.2 - Rules for setting up boards of supervisors of listed companies in China in the future

Source: Prepared by the author based on the Second Review Draft of the Amended Draft of the Company Law published on December 24, 2022.

confirms the rationality and forward-looking of the grouping criteria used in this article.

Figure 3.2 shows the rules for determining the corporate structure under the Company Law Amendment Draft. The company may set up a board of supervisors or not set up a board of supervisors according to the provisions of the company's articles of association and the decision of shareholders. For small-scale companies, the governance structure can be effectively streamlined and some ineffective work can be reduced. Large and medium-sized companies can set up a governance structure according to their own needs to achieve the goal of improving CG.

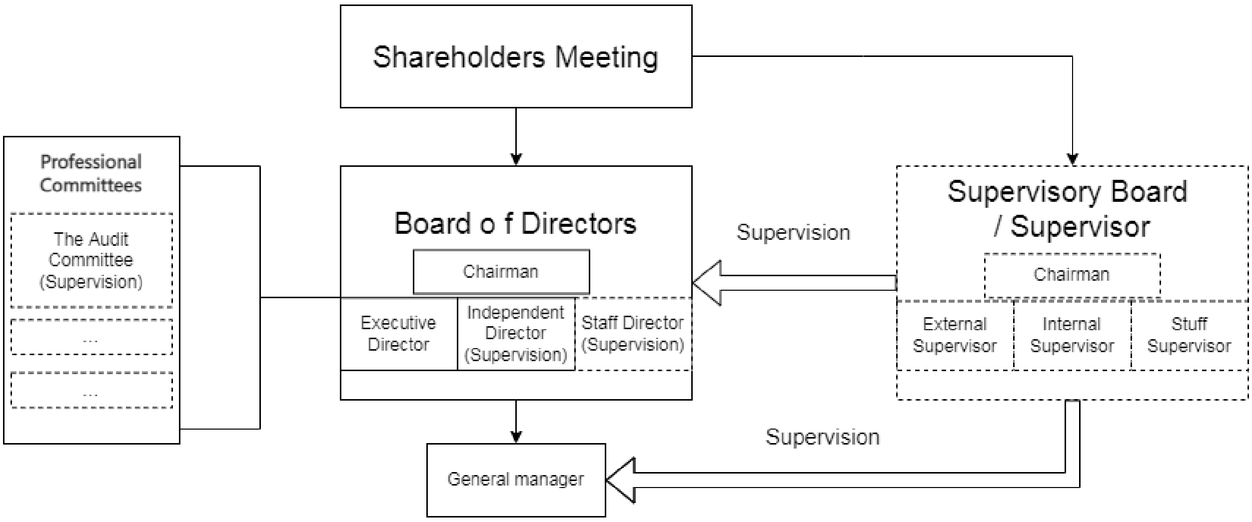


Figure 3.3 - Governance structure of listed companies in China in the future

Source: The author based on the second review draft of the revised draft of the Company Law announced on December 24, 2022.

Figure 3.3 shows the CG structure stipulated in the revised draft of the Company Law. The changes related to the CG structure are the establishment of employee directors and the establishment of a supervisory board. If the company has more than 300 employees, it needs to have at least one employee director on the board of directors. If an audit committee is set up in the board of directors to exercise the functions and powers of the supervisory board, there is no need to set up a board of supervisors or supervisors. Smaller limited liability companies may not have a board of supervisors but have one or two supervisors to exercise the functions and powers of a supervisory board. With the unanimous consent of all shareholders, there may be no supervisor.

On February 17, 2023, CSRC issued the relevant system rules for the full implementation of the stock issuance registration system, which will come into effect on the date of publication (CSRC, 2023). The stock issuance registration system is a comprehensive and milestone reform. Currently, there are 165 institutional rules, including issuance conditions, registration procedures, sponsorship and underwriting, major asset restructuring, regulatory enforcement, investor protection, and other aspects. After the implementation of the comprehensive registration system, the government will no longer be responsible for the review and value judgment of securities transactions, but market players will complete these tasks. Investors make judgments on the value of listed companies, and issuers, intermediaries, and stock exchanges are responsible for review. The focus of the government's work has shifted to strengthening the requirements and supervision of information disclosure of listed companies. This model draws on the models of countries such as the United Kingdom and the United States, reduces the government's administrative intervention in the securities market and listed companies, and gives more play to the role of market players, which will stimulate the enthusiasm of market participants. At the same time, the registration system has also relaxed the conditions for IPOs, and some entrepreneurial enterprises with small assets but huge growth potential can also go public.

Before the implementation of the comprehensive registration system, the IPO of Chinese listed companies adopted a review system, and CSRC reviewed the listing materials submitted by listed companies to ensure their compliance and authenticity. After confirming that they meet a certain asset size and profitability, Only then is the IPO process allowed to start. For investors, although the review system provides an endorsement for the strength of listed companies, it cannot ensure the long-term profitability of listed companies, and it also lacks a follow-up restraint mechanism for listed companies. For listed companies, the shortcomings of such an audit system are also obvious. Some high-growth high-tech companies often do not meet the asset scale requirements, so they cannot obtain financing from the securities market. The period from submission of materials to listing by a listed company is very long, and there are huge uncertainties for the company.

The implementation of the comprehensive registration system marks a big step forward in the reform of China's securities market. According to the conclusion of this study, the negative impact of CSR information disclosure is greater than the positive impact. Therefore, in practice, companies often "don't disclose when it is not necessary" to reduce risks. After the implementation of the comprehensive registration system, regulators will require more mandatory information disclosure from listed companies. In this way, there will be no risk differences between enterprises due to differences in information disclosure. If the listed company's information disclosure is insufficient, it will be difficult to gain the trust of investors, and thus unable to obtain financial support. In the future, listed companies may voluntarily disclose more information to gain the trust of investors. More sufficient information disclosure can reduce the cost of small and medium shareholders participating in CG, and help alleviate the problems of insider control and internal supervision failure. Information disclosure will become an important opportunity to guide listed companies to improve their internal CG mechanism, drive listed companies to protect the rights and interests of stakeholders and improve the sustainable development capabilities of enterprises.

This paper believes that perfecting CG is a complex process, and the realization of the company's sustainable development goals is also the result of a variety of factors. Amending the Company Law and implementing a comprehensive registration system are important steps to alleviate the current CG problems in China, but their effects still need to be tested in practice. There are still other issues in the governance of listed companies in China that cannot be automatically resolved with the implementation of new laws and regulations. Next, this paper looks forward to the future development direction of CG of Chinese listed companies.

The shareholding structure determines the allocation of power and the structure of interest distribution and is the material basis for the sustainable development of listed companies. The reality of listed companies in China is that the decision-making power of the company's operations is controlled by the actual controller. In listed companies in China, the actual controller is often the controlling shareholder (in Non-SIE), or senior management (in SIE, and companies with highly dispersed equity). According to the rational person assumption, the actual controller has sufficient motivation to use the control right to obtain additional benefits. These benefits are generally obtained by encroaching on the interests of the company, which is essentially an encroachment on the rights and interests of small and medium shareholders and stakeholders. For such problems, the internal CG mechanism is difficult to play a role, and the external governance mechanism needs to play a role. The capital market has the functions of financing, investment, pricing, and capital allocation, and can match listed companies with investors. If the capital market is relatively mature, capital will naturally flow into industries and companies with the highest returns, achieving optimal equity allocation. For the optimization of the shareholding structure, the main reform direction should be to introduce shareholders who check and balance the actual controllers, to change the current problem of insider control caused by excessive concentration of ownership (F. Chen & Zhang, 2021). In SIE, reducing the state-owned share ratio can reduce agency costs, introduce active participants in CG to improve CG, and increase equity liquidity to improve corporate operating efficiency. The purpose of the reduction of state-owned shares should be to maintain and increase the value of state-owned assets, and at the same time enrich the social security fund to solve the social security problems of employees left before. Only by introducing institutional investors and other active participants in CG in Non-SIE to form checks and balances on major shareholders can the rights and interests of other stakeholders be better protected. In the future, state capital will still be the leading force in industries related to infrastructure, the national economy, and people's livelihood, while private capital will enter more high-growth fields such as innovation and technology development.

The internal governance structure determines the process and execution effect of corporate decision-making and is the institutional guarantee for the sustainable development of listed companies. In the future, the internal governance structure of Chinese listed companies will undergo some changes. The most important thing is that listed companies can choose a single-tier structure or a two-tier structure according to their needs. If the supervisory board/supervisors are set up to undertake supervisory functions, it is a two-tier structure, otherwise, it is a single-tier structure. Companies with more than 300 employees must have employee directors on the board of directors unless employee supervisors have already been installed. Due to the unsatisfactory supervision effect of the supervisory board, this paper believes that most listed companies in China will transition to a single-tier structure in the future. Under the single-tier structure, the supervisory role of independent directors and the audit committee is even more important. The Draft Amendment to the Company Law allows companies that already have an audit committee on the board of directors to not have a board of supervisors. With the unanimous consent of all shareholders, a small-scale limited liability company may not have a supervisor. At the same time, since the "Listing Rules" require that the convener of the audit committee of the company to be listed must be an external independent director with accounting expertise, so by giving play to the independent and professional role of independent directors, the supervision of the audit committee is more effective than that of the supervisory board. independent and effective. In theory, independent directors represent stakeholders other than shareholders. In practice, the supervision effect of independent directors of listed companies in China needs to be improved, especially the protection of the rights and interests of minority shareholders and other stakeholders is not enough.

In the United States, listed companies implement a single-tier governance structure, and CG issues are often resolved through external market mechanisms. The experience of the United States can be used as a reference for the reform of external governance of Chinese listed companies. In listed companies in the United States, if the board of directors believes that senior management is incompetent, it will initiate the dismissal process. If the board of directors cannot lead the company to maintain sustainable development, the general meeting of shareholders will complete the reorganization or elimination of the entire company through bankruptcy reorganization, mergers, acquisitions, etc. If a certain industry cannot develop as a whole, capital will be withdrawn, and the industry will naturally shrink. It can be seen that the market mechanism of the United States solves the problems that arise through the natural law of survival of the fittest. Unlike the very dispersed shareholding structure of listed companies in the United States, the shareholding structure of listed companies in China is highly concentrated. Although both Chinese and American-listed companies have insider control problems, China needs to focus on protecting the rights and interests of minority shareholders and other stakeholders. Therefore, under the background of the gradual withdrawal of the supervisory board in the future, China's CG needs to solve the problem of independent "directors are not independent", and the supervision of controlling shareholders, actual controllers and management are invalid. In Germany and Japan, listed companies implement a two-tier governance structure. Although German and Japanese companies also have the characteristics of high ownership concentration, their protection of stakeholders is stronger, especially the protection of the rights and interests of creditors, which is worth learning from China. In China, major shareholders, small and medium shareholders, and creditors all provide funds for enterprises, but the rights and interests of small and medium shareholders and creditors have not been reasonably protected. Under the current situation in China, the voice of small and medium shareholders in business operations cannot be guaranteed, and debtors have no right to intervene in the daily operations of the company. It is unreasonable that the funds provided by the debtor bear the same risk of operation as the principal of the shareholders. Therefore, when the debt of an enterprise reaches a certain proportion, creditors should be allowed to participate in the company's operation and management in some form to supervise the use of debt funds and form effective supervision and constraints on operators.

The management incentive mechanism determines the direction of the management's specific business decisions and is related to whether the listed company's sustainable development strategy can be implemented. Salary incentives can be divided into short-term incentives and long-term incentives. Short-term incentives are mainly cash compensation, and long-term incentives are mainly equity. At present, Chinese listed companies use it more often, and the effect is obvious in the salary incentive. Salary incentives can stimulate the potential of management in a short period and better complete short-term goals and tasks. The disadvantage of salary incentives is that they cannot guide management to make decisions that are conducive to long-term sustainable development from the long-term development of listed companies. In China's Non-SIE, equity incentives are used more often. On the one hand, it can reduce the pressure on management incentives to spend cash, and on the other hand, it can also stabilize the core management. Equity incentives are rarely used in SIE. On the one hand, state-owned equity is a state-owned asset and will be strictly restricted. On the other hand, SIE's management changes frequently, and it is mainly based on administrative appointments, and the way of equity incentives does not meet actual needs. For listed companies, the design of management incentive mechanisms is a highly individualized and frequently changing issue. To not only play the role of incentives but also reduce the cost of incentives, listed companies need to explore forms that are conducive to sustainable development in practice.

3.3 CG Codes for Sustainable Development in China

This paper believes that whether the listed company is to improve performance or fulfill social responsibility, its ultimate goal should be to maintain the sustainable development of the enterprise. Sustainable development requires listed companies to give more consideration to future development needs, formulate sustainable corporate strategies, and achieve long-term development goals. Sustainable development is a major challenge for enterprises, but it is also the only way to maintain an advantageous position in the competition. Although there are no CG rules that are universally applicable to all industries and different scales, we can still draw some sustainable development-oriented governance rules based on the research results of this paper and the current status of CG in China.

(1) Listed companies should prevent insider control caused by unreasonable shareholding structures. Insider control usually means that the controlling shareholder or senior executives have grasped the decision-making power and executive power of the enterprise, and control the internal supervision organization. In Non-SIE, the actual controller is often the controlling shareholder. In SIE, the actual controller is often a senior manager. For the actual controller, the income from the control right is the additional income other than the income from the position. Therefore, if the benefits obtained by the actual controller through the control rights are greater than the risks, the actual controllers will obtain the benefits of the control rights through related transactions and "channels". The ultimate source of control benefits is other shareholders and stakeholders, so this will increase the cost of the enterprise.

(2) Listed companies should prevent the failure of shareholder supervision caused by an unreasonable shareholding structure. For the sustainable development of the company, the company needs to maintain an appropriate degree of ownership concentration and checks and balances, so that other stakeholders can protect their interests through the decisions of the board of directors, and prevent major shareholders from seeking personal interests by harming the rights and interests of other stakeholders maximize. When the decision-making of the enterprise can take care of more stakeholders, it can provide a guarantee for better fulfillment of social responsibility and maintain the sustainable development of the enterprise. Ownership concentration should be maintained within a reasonable range, not only to align the interests of major shareholders with the enterprise but also to supervise major shareholders through equity checks and balances to protect the rights and interests of

other stakeholders and small and medium shareholders.

(3) Listed companies should plan the future shareholding structure according to the characteristics of different shares. According to the research results of this paper, state-owned shares, institutional shares, management shares, and individual shares have different characteristics and should be treated differently and planned according to needs. State-owned shares have the attribute of social welfare and have done a good job in fulfilling social responsibilities, but they also have the disadvantages of high agency costs and are vulnerable to intervention by administrative orders. Institutional investors have rich investment experience and a large number of funds and tend to invest in the long term. They can also help listed companies strengthen internal supervision, assist enterprises in making scientific decisions, and enhance their sustainable development capabilities. Small and medium shareholders have strong speculative psychology and often hope to obtain short-term profits through fast stock trading. Although many small and medium shareholders can bring funds, they are not willing to hold shares for a long time. The management holds a certain amount of equity, which can make the interests of the management consistent with the overall interests of the company and promote the due diligence of the management. If the management becomes a major shareholder, it will evolve into an insider control problem. From the perspective of improving FP, state equity should be gradually reduced, and the institutional share ratio should be increased accordingly.

(4) Board size has different effects on FP and CSR conduct, and the relationship between the two needs to be balanced. From the results of data analysis, board size has a negative impact on the FP of Non-SIE, but has no impact on the FP of SIE. Larger boards perform less well, but at the same time represent more stakeholders. Enterprises should reasonably determine board size according to the needs of development.

(5) CEODuality plays different roles in different development stages of enterprises, and enterprises should make adjustments according to their needs. Generally speaking, smaller enterprises are suitable for the chairman to concurrently

serve as the CEO to improve efficiency and reduce communication costs. To share job functions, larger companies often hire a CEO to take charge of management. In SIE, for power checks and balances and supervision, the setting of CEODuality is generally not used.

(6) Listed companies should reasonably plan the functions of the supervisory board and independent directors to prevent the supervision mechanism from becoming invalid. In China's listed company governance mechanism, the supervisory board and independent directors both have supervisory functions, and the functions of the two should complement each other instead of overlapping or blanking. If a listed company has a board of supervisors, the supervisory board should play an internal supervisory role in the CG mechanism. The supervisory board and the board of directors belong to the same level. The supervisory board has neither the power to appoint and remove personnel nor decision-making power, so it cannot play the role of supervising the board of directors and management. At the same time, the functions of independent directors, audit committees, and boards of supervisors overlap. In fact, in many listed companies, the supervisory board is only an institution controlled by insiders and does not play a supervisory role. Especially in SIE, the role of the supervisory board is not obvious. Independent directors are at the decision-making level and should represent the interests of the public in the decision-making process of the board of directors, make independent judgments, and play a supervisory role. The salaries of independent directors are paid by listed companies, and the selection of independent directors is also influenced by insiders, which will affect the independence of independent directors. In comparison, independent directors still have more power than supervisory boards and can play a certain role in corporate decision-making, but it is far from enough at present.

(7) Listed companies should rationally use short-term and long-term incentives to promote the realization of business objectives. According to the results of data analysis, salary incentives have a significant effect on improving FP, CSRScore, and CSRDisclosure, but management shareholding only promotes the FP and

CSRDisclosure of SIE, and the overall effect is not obvious. At present, in terms of management incentives, the short-term incentive method of salary incentives is still mainly relied on, but the effect of the long-term use of management shareholding is not obvious. Management shareholding is an important way to combine the interests of the management with the long-term interests of the enterprise. If the management does not hold equity, their interests may come from the consumption of corporate resources, such as job consumption, related transactions, or "tunnel" benefit transmission. This results in higher agency costs. If the management holds equity, then the overall interests of the management and the enterprise are tied together, which will motivate managers to consider maximizing the overall interests of the company and make decisions that promote the sustainable development of the enterprise.

(8) Enhancing information disclosure is the way to promote the sustainable development of listed companies. Information disclosure plays a key role in the development of the securities market and the improvement of CG, and it is both a challenge and an opportunity for listed companies. Although the current level of information disclosure of listed companies in China is not high, the implementation of the comprehensive registration system will significantly increase the requirements for information disclosure of listed companies. The scope and content of mandatory information disclosure will increase significantly, and some listed companies will have more voluntary disclosures to gain the trust of investors (F. Chen, 2021b).

Summary of Section 3

1. The characteristics of Chinese listed companies in terms of CG include: The performance of SIE is low, because of high agency costs and more social responsibilities, and this phenomenon may be a kind of "survivor bias". There is a phenomenon of "mutual attraction" between institutional investors and outstanding listed companies. When the ownership concentration is high, the actual controller of the listed company will often use the control right to obtain more income. Out of the

need for cost control, some listed companies will give priority to externally-oriented CSR behaviors, and this phenomenon is more obvious in Non-SIE. As the main form of short-term incentives, management compensation has a more significant impact than management stock ownership. The relationship between some CG attributes and FP may be inverse. CG attributes have a greater impact on Non-SIE, in other words, the role of CG mechanisms in SIE is more restricted. The low level of CSR disclosure of listed companies is because CSR disclosure often brings negative effects.

2. Amending the Company Law and implementing a comprehensive registration system are important steps to alleviate the current CG problems in China, but their effects still need to be tested in practice. There are still other issues in the governance of listed companies in China that cannot be automatically resolved with the implementation of new laws and regulations. In the future, the development direction of China's listed companies should be to gradually improve the external market mechanism, promote the development of the capital market, the control market, and the manager market, and guide the free flow of capital and talents to achieve the optimization of resource allocation.

3. Sustainable development is the future development goal of Chinese listed companies, among which: the shareholding structure determines the allocation of power and the structure of interest distribution, which is the material basis for the sustainable development of listed companies; the internal governance structure determines the process and implementation of corporate decision-making The effect is the institutional guarantee for the sustainable development of listed companies; the management incentive mechanism determines the direction of the management's specific business decisions, and is related to the implementation of the sustainable development strategy of listed companies.

4. This paper proposes CG rules for sustainable development, including listed companies should prevent problems such as insider control and shareholder supervision failure caused by unreasonable shareholding structures, and plan

shareholding structures according to needs. Board size has different effects on FP and CSR conduct, and the relationship between the two needs to be balanced. CEODuality plays different roles in different development stages of enterprises, and enterprises should make adjustments according to their needs. Listed companies should reasonably plan the functions of the supervisory board and independent directors to prevent the supervision mechanism from failing. Listed companies should rationally use short-term incentives and long-term incentives to promote the realization of business goals. Strengthening information disclosure is a way to promote the sustainable development of listed companies.

5. The contents of this section were mainly published in: (F. Chen, 2021b)(F. Chen, 2021b).

CONCLUSIONS

The dissertation provides a theoretical generalization and a new solution to the scientific problem of forming corporate governance for stakeholders in the conditions of the stakeholder economy. The results of the research make it possible to draw conclusions of a theoretical, methodological and scientific-practical direction, the main ones of which are the following:

1. Traditional CG studies focus on the relationship between principals and managers, with the main goals of maximizing shareholders' interests and reducing agency costs. Today's CG not only focuses on maximizing the interests of shareholders, and getting closer to CSR but also pays more attention to ethics and accounting responsibility. CSR is the behavior of enterprises to protect the rights and interests of stakeholders and undertake corresponding legal and moral obligations in the process of pursuing their own economic goals, and social and environmental sustainable development goals. Originally conceived as a moral obligation, CSR is increasingly becoming a sound business decision. Later, CSR was considered a legal responsibility, and fulfilling CSR began to become a must. Practice and academic research related to social responsibility are becoming more and more abundant and gradually expanding to the level of social responsibility disclosure and social responsibility audit. Stakeholder theory provides a basis for enterprises to fulfill their social responsibilities and shows international convergence in the definition and measurement of CSR. According to the stakeholder theory, improving FP is the most important issue for shareholders, while CSR conduct is more important for other stakeholders. These two goals are related to all stakeholders of the company. For the realization of these two goals, the enterprise should comprehensively consider and try to achieve a balance. This work examines the evolution and refinement of the definition of CG: CG is the framework that stipulates the rights and responsibilities among the parties with a stake in the company as well as the arrangements of organizational procedures that affect both financial and non-financial firm-level results. CSR conduct can be divided into two levels: CSR behavior and CSR disclosure, which are used to measure the degree to which a company protects the interests of stakeholders and the intensity of CSR information disclosure. CSR behaviors can be divided into two types: internally-oriented and externally-oriented. Internally-oriented CSR behaviors focus on improving the rights and interests of stakeholders, while externally-oriented CSR behaviors are not directly related to stakeholders. Selective CSR behaviors infringe on the rights and interests of some stakeholders, and it is only correct to complete CSR behaviors. Principal-agent theory, stakeholder theory, and information asymmetry theory are the theoretical basis of this paper. The principal-agent theory is the basis of CG, and the "principal-agent" model is constructed, which provides a basis for the discussion of agency costs. Stakeholder theory explains why enterprises should fulfill their social responsibilities and how to fulfill their social responsibilities. The theory of information asymmetry deepens the content of the principal-agent theory, and can also explain some behaviors of listed companies in the process of fulfilling their social responsibilities.

2. Many scholars have researched CG and FP, but have not drawn consistent conclusions. Although the research results are not the same, some views are advantageous, for example, the proportion of state-owned shares is negatively related to performance, institutional shareholding and independent directors are positively related to performance, and the supervisory board size has no significant impact on performance. The literature review on CG and CSR conduct shows that although a large number of studies have paid attention to the relationship between the two, there is no consistent conclusion. At the same time, due to the particularity of China as an emerging market and the particularity of Chinese SOE, the internal logical relationship between CG and CSR conduct still needs to be further tested. China's securities market is undergoing rapid changes, such as the Company Law being revised 1. The implementation of the comprehensive registration system for stock issuance is constantly regulating the behavior of listed companies, so research on this issue is very necessary. A bibliometric analysis of research on CG and sustainability reporting reveals that 2013 and 2017 were bifurcation points in the research field, marking the maturity of the field. The countries with the highest number of studies in this field include the United Kingdom, Spain, Italy, China, and Australia. The most esteemed journals include Journal of Business Ethics, Business Strategy and the Environment and Accounting, Auditing & Accountability Journal. The major co-occurrence of hot keywords includes carbon disclosure project, environmental disclosure quality, integrated reporting, FP, foreign director, environmental reporting, public sector, sustainability assurance statement. Future research in the realm is likely to focus on ESG, disclosures, and governance performance, as well as on specific areas (geography, industry, etc.), and will explore in depth the role of multiple factors together.

3. Based on understanding the status quo of CG in China, this paper conducts an empirical study on the impact of CG attributes on FP and the impact of corporate attributes on CSR conduct. The data for the empirical analysis in this paper are the CG attribute data and financial indicator data of Chinese A-share listed companies from CSMAR from 2003 to 2020, and the data from the "Social Responsibility Report of Chinese Listed Companies" released by Hexun.com from 2010 to 2020. There are three dependent variables used in data analysis, among which FP is measured by Tobin's Q value, CSR behavior is measured by the listed company governance index released by Hexun.com, and CSR disclosure intensity is measured by CSR disclosure data of listed companies in the CSMAR database. The independent variables are three types of CG variables, including shareholding structure (state-owned shareholding ratio, institutional shareholding ratio, and ownership concentration), management characteristics (board size, independent director ratio, CEO duality, board of supervisors size), and management incentives. (management compensation, management shareholding ratio). To analyze the relationship between CG attributes and FP, this paper uses 2003-2020 data samples, and unbalanced panel data of 31,441 observations from 2,701 companies. To analyze the relationship between CG attributes and CSR conduct (including CSR behavior and CSR disclosure), this paper uses data samples from 2010 to 2020, unbalanced panel data of 22,795 observations from 2,676 companies. This paper uses multiple regression models in data analysis, and the data analysis software is Stata 17.0, using descriptive statistics, correlation statistics, multiple regression analysis, and other statistical methods.

4. Combining the conclusions of the empirical research and the results of the comparison of CG models, this paper believes that the current CG of Chinese listed companies has the following characteristics:

(1) The reasons for the low FP of SIE include two aspects: high agency cost (Type I agency problem) and more social responsibilities.

(2) The social responsibilities undertaken by SIE are fixed, mainly including loss-making operations in industries that are critical to the national economy and people's livelihood, as well as internally-oriented CSR behaviors.

(3) The low FP of SIE may be a kind of "survivor bias". SIE can get more credit support, policy support, and financial subsidies, so it can continue to operate when its FP declines. If faced with the same financial difficulties, Non-SIE may go bankrupt because they cannot obtain credit support, so they will not appear in the statistical scope.

(4) There is a phenomenon of "mutual attraction" between institutional investors and outstanding listed companies. Only listed companies with great growth potential can attract investment from institutional investors, and institutional investors will in turn promote the sustainable development of listed companies through long-term holding and participation in decision-making.

(5) In the case of high shareholding concentration, the actual controllers of listed companies often use their control rights to obtain more benefits. This kind of problem often manifests itself as major shareholders violating the rights and interests of small and medium shareholders (Type II agency problem), or unfair related party transactions. This phenomenon would be mitigated if effective ownership checks and balances or oversight existed.

(6) Out of the need for cost control, some listed companies will give priority to externally oriented CSR behavior, this phenomenon is more obvious in Non-SIE.

(7) As the main form of short-term incentives, management compensation has a more significant impact than management shareholding.

(8) The relationship between some CG attributes and FP may be inverse. Listed companies with good FP can attract institutional investors, hire more independent directors, pay more remuneration to management, and reward more shares to management.

(9) The attributes of CG involved in this study have a greater impact on Non-SIE. In other words, the role of CG mechanisms in SIE is more restricted.

(10) The low level of CSR disclosure of listed companies is because CSR disclosure often brings negative effects. Since the regulatory agencies do not have mandatory disclosure requirements for most listed companies, the CSR disclosure willingness of different companies varies greatly. Only companies with high levels of FP and CSR behavior are willing to increase the intensity of CSR disclosure, while other companies minimize disclosure. If the FP is low, or the CSR behavior is less, listed companies will reduce CSR disclosure. In addition, China's securities market is affected by factors such as speculation, insider trading, and information opacity. As a result, information disclosure often leads to stock price fluctuations. Therefore, listed companies try to reduce CSR information disclosure as much as possible.

5. The thesis concludes that to solve the problems existing in the current Chinese securities market and listed company governance, it is necessary to explore solutions for both internal and external governance factors. In the future, the development direction of China's listed companies should be to gradually improve the external market mechanism, promote the development of the capital market, the control market, and the manager market, and guide the free flow of capital and talents to achieve the optimization of resource allocation. At present, China's regulatory authorities are starting from two aspects of internal governance factors and external governance factors, carrying out important reforms in the securities market and CG, the two most important of which are the revision of the "Company Law" and the implementation of the "Comprehensive Registration System for Listed Companies' Stock Issuance". The new "Company Law" has four notable changes, including: allowing enterprises to choose to implement a single-tier or two-tier organizational structure; strengthening the protection of employees' rights and interests; canceling the strict limit on the number of company boards of directors; The sole proprietorship requirement extends to the SIE. The implementation of the comprehensive registration system for stock issuance by unlisted companies will reduce the government's administrative intervention in the securities market and listed companies, and give more play to the role of market players, which will stimulate the enthusiasm of market participants. At the same time, regulators will require more mandatory information disclosure from listed companies. More sufficient information disclosure can reduce the cost of small and medium shareholders participating in CG, and help alleviate the problems of insider control and internal supervision failure. Information disclosure will become an important opportunity to guide listed companies to improve their internal CG mechanism, drive listed companies to protect the rights and interests of stakeholders and improve the sustainable development capabilities of enterprises. Sustainable development is the future development goal of Chinese listed companies, among which: the shareholding structure determines the structure of power allocation and benefit distribution, which is the material basis for the sustainable development of listed companies; the internal governance structure determines the process and implementation effect of corporate decision-making, It is the institutional guarantee for the sustainable development of listed companies; the management incentive mechanism determines the direction of the management's specific business decisions, and is related to the implementation of the sustainable development strategy of listed companies.

6. This work proposes CG rules for sustainable development, including listed companies should prevent problems such as insider control and shareholder supervision failure caused by unreasonable shareholding structures, and plan shareholding structures according to needs. Board size has different effects on FP and CSR conduct, and the relationship between the two needs to be balanced. CEODuality plays different roles in different development stages of enterprises, and enterprises should make adjustments according to their needs. Listed companies should reasonably plan the functions of the supervisory board and independent directors to prevent the supervision mechanism from failing. Listed companies should rationally use short-term incentives and long-term incentives to promote the realization of business goals. Strengthening information disclosure is a way to promote the sustainable development of listed companies.

7. Insufficient research and prospects for future research. Due to the limitations of research methods and data, this paper may have the following deficiencies:

(1) There are limitations in the selection of indicators. The measurement of FP, CSRScore, and CSRDisclosure all use a single indicator, and the results obtained may not be comprehensive enough.

(2) There are limitations in sample selection. Only the companies listed on the A-share main board are analyzed, and companies on the New Third Board and Science and Technology Innovation Board are not included, which may affect the generalizability of the conclusions.

(3) The discussion may not be deep enough. As an emerging market, China may have different impacts from some CG attributes than developed countries, and this article may not be enough to discuss and compare the impact of these CG variables.

Future researchers are suggested to conduct a more in-depth exploration of the following issues:

(1) Consider using comprehensive indicators to measure FP and CSR conduct.

(2) Consider analyzing listed companies in different sectors, industries, and regions.

(3) Consider combining new methods such as artificial intelligence technology for data analysis to obtain more accurate analysis results.

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