

# The Impacts of Board Diversity on CSR Performance--based on the UK Corporate Governance Code 2024

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**Abstract:** *With the process of globalization and the rapid development of companies, corporate social responsibility (CSR) has received increasing attention. Based on triple bottom line (TBL), companies must not only achieve economic progress, but also be expected to fulfill CSR, making contributions to the natural environment and the community prosperity. As a vital part of the company management, the composition of the board of directors has always been a focus of attention. There are many standards and indicators for corporate governance (CG), including the UK Corporate Governance Code 2024, which will be utilized as the theoretical basis for this research. This research focuses on the principles of diversity of the board, and their impacts on CSR. Surrounded this topic, the latest opinions published in recent years will be groped and analyzed.*

**Keywords:** CSR, CG, TBL.

## 1. Introduction

In recent years, the companies have been increasingly expected not only to pursue their financial development, but also to concentrate on Corporate Governance (CG) and Corporate Social Responsibilities (CSR). With the accelerated pace of globalization, the relationship between companies from different countries is getting sharply closer (Cramer, 2017). Such social affairs as financial crises and natural disasters are exerting increasing effects on countries and regions all over the world rather than a single company or a district (Johnson, Connolly and Carter, 2010). Against this background, the companies are expected to be more active and effective in fulfilling their social responsibilities, and to better contribute to the social stability and economic prosperity of the world. As significant participants of national economy and social affairs, enterprises should not only struggle for their own financial goals, but also make joint efforts for the prosperity and sustainability of the society. CSR, often viewed in combination with CG, can be regarded as the continuation and extension of CG, and CG is viewed as the foundation and important influencing factor of CSR (Jo and Harjoto, 2011). As indicated by Friedman (1970), CSR means that companies should not only achieve economic objectives, but also pay attention to the interests of stakeholders, and at the same time ensure that its operation actions conform to laws and social ethics. As international enterprises, they must not only observe domestic rules and regulations, but also abide by the global standards and custom. In addition to focusing on the economic development of their own countries, they should also strive for the harmony of global environment and economy, as well as the benefit of the people around the world (Cramer, 2017).

As an important part of company management and realization of CSR, the performance of CG has always been valued by companies. An effective CG can supervise the company's behavior, balance conflicts of interests, and urge the company as a whole to pursue the common development goal and to keep successful. As a vital department of the company's top management, the working efficiency of the board determines

the results of CG, which in turn affects the performance of CSR (Khan, Muttakin and Siddiqui, 2012). Regarding the composition of the board, different countries and regions have their own standards. According to the UK Corporate Governance Code (FRC, 2024), a qualified board is expected to meet certain requirements, such as common goals, reasonable allocation of responsibilities, and high independence and diversity. Some studies (e.g. Jermias and Gani, 2014; Jain and Jamali, 2016) have shown that, as a basis for the company management, CG codes can be regarded as a tool to assist the company to establish a qualified board and to have a positive impact on the efficient operation of the board. As an important basis and standard for evaluating the company's CSR performance, the triple bottom line (TBL) stipulates the social responsibilities that the company should perform through economic, social and environmental standards (Elkington, 1998). Although TBL has been updated to better adapt to changes in the society and the market after entering the 21st century (Johnelkington, 2021), the core of TBL has not changed, that is, achieving sustainable economic development and paying attention to the company's contribution to mankind and the environment (The Triple Bottom Line, 2021).

Based on the theory above and inspired by previous studies, this research is going to focus on the relationship between CG and CSR. The impact of CG codes on the performance of CSR will be taken as the main research question, with the diversity of the board as the main research objects.

## 2. Literature Review

### 2.1 Corporate Governance

Existing studies have revealed that CG is correlated to the CSR performance to some extent. Excellent performance of CSR is the essential precondition for the success of CG. Before the evaluation of CSR, information about corporate governance should be analyzed as the basis. CG has been defined in various ways by previous studies. As indicated by Dillon Kibirige and Hamer (2019), CG has the responsibility

to ensure the effective and long-term stable operation of the company with the adoption of appropriate management strategies. In 2015, The Organisation for Economic Co-operation and Development (OECD) (cited in Dillon Kibirige and Hamer, 2019) supplemented a new principle to stress the significance of CG, that is, an effective corporate governance performance is both beneficial to the long-term development of a company, and conducive to the establishment of a transparent investment environment, a stable society and economic prosperity. This also further illustrates that effective internal governance of individual enterprises to promote the development of the whole society is also one of the social responsibilities that companies should assume.

In view of the great variety of definitions and standards about CG, the UK Corporate Governance Code (FRC, 2024) will be utilized as the basis for this research. As stated in the UK Code (FRC, 2024), there are five sectors, among which the first one is Board Leadership and Company Purpose. The board of directors requires to implement supervisory responsibilities to ensure that company members can identify with the corporate culture, and contribute to the long-term stable development of the company with joint efforts. The board should take measures to encourage and promote the integration and participation of all parts of the company. During this process, the board should also concentrate on addressing conflicts of different parties with various interests.

The second part is Division of Responsibilities. The principles in this sector explain that the authority and responsibilities should be clearly assigned to various parts, rather than be completely controlled by a group of individuals, which will result in directorship and give rise to mistakes in the decision-making process. There is a strict standard for the proportion of the non-executive directors, who should occupy at least 50% in the whole board. A balanced combination of directors in the board can ensure the separation of leadership and executive functions. The chair and non-executive directors are expected to be independent, otherwise detailed explanation of reasons should be clearly demonstrated to the shareholders and stakeholders on the official websites or the annual reports.

The third sector is Composition, Succession and Evaluation. The process of appointment, removal or succession requires to be consistent with the established procedures and criteria transparent to the board. The composition of a board should be characterized by liquidity and be regularly updated, and at the same time, the diversity should be taken into consideration. The diversity of the board includes the diversity of gender, age, experience and skills, along with races and other individual characteristics of directors.

The fourth part is Audit, Risk and Internal Control. The audit committee should be established to be responsible for the supervision of the quality of financial statements, the management of potential risks, and the effectiveness of internal control.

The last part is Remuneration. The remuneration of the chair, executive directors and senior management is regulated according to the policies set by the remuneration committee,

while the remuneration of non-executive directors is determined by the board based on their personal contribution, financial performance of the company and other issues. In order to guarantee the justice and transparency, the remuneration should be collectively discussed and decided, and nobody can be allowed to participate in the discussion of their own remuneration.

## 2.2 Triple Bottom Line

In the mid-1990s, with the surge of some companies, such as oil industries, whose operations may be accompanied by adverse impacts on the environment, government and the society were stimulated to attach more importance to the balance between economic development and environment protection. Since then, companies have been required to concentrate on not only their financial development, but also the effects of economic activities on the environment, and they are expected to fulfill their social responsibilities.

The first line is the economic bottom line. Making profits is the precondition for the company's existence and their ultimate objective. It is the company's responsibility to produce profit for the shareholders, and meanwhile to create welfare and a better and healthier society for all stakeholders. The company should pursue a long-term and stable development, relying on a scientific and sustainable system, instead of being attracted simply by rapid and short-term profitability. The core concept in environmental bottom line is natural capital. From the perspective of companies, in addition to considering the wealth and benefits brought by the natural capital, they should equally take the impact of economic activities on the environment into account. Companies can utilize natural capital appropriately and correctly on the basis of respecting the environment to ensure its sustainability, instead of wasting resources for the sake of short-term interests and ignoring the adverse effects imposed on the environment. The center of social bottom line is the relationship between society and human. This concept requires people to unite as a whole and make efforts for a common goal. With the process of globalization. It is the shared responsibility of all countries and enterprises to protect and integrate social capital and guarantee its effective function (Elkington, 1998).

In the 21st century, the updated interpretation of TBL reflected the changes of financial world. In 2017, TBL was explained according to seven indicators. Here is a table to illustrate the main changes in this revolution. The last indicator is corporate governance, which is regarded as the ultimate objective of the TBL. The systematism and effectiveness of the board is the pillar of a company and should receive more attention. Seeking for a sustainable progress according to the TBL is the responsibility of the board, whose composition, decisions and operations are among the significant elements affecting the company performance and the health of capital market. The board should enhance its sense of mission and lead the company to pursue sustainability and prosperity of the society (Johnelkington, 2021).

	Old Paradigm	→	New Paradigm
1 Markets	Compliance	→	Competition
2 Values	Hard	→	Soft
3 Transparency	Closed	→	Open
4 Life-cycle technology	Product	→	Function
5 Partnerships	Subversion	→	Symbiosis
6 Time	Wider	→	Longer
7 Corporate governance	Exclusive	→	Inclusive

**Figure 1:** Seven sustainability revolutions

Source: Johnelkington, 2021.

## 2.3 Corporate Social Responsibility

There are various views about the definition and categorization of CSR. CSR is regarded by some scholars as a voluntary behaviour in some countries and organizations, while the others believe that CSR is an essential duty and work content of companies, which should take corresponding measures according to strict regulations (Dillon Kibirige and Hamer, 2019). For instance, regarding to the regulation of the European Commission, CSR is divided into social and environmental dimensions and defined as an active operation that is beneficial to both society and companies themselves (European Commission, 2011). The World Business Council stated that CSR was mainly responsible for the living conditions and welfare of employees. Besides, CSR should also promote the economic prosperity by addressing social problems. In the South African Corporate Governance Code, companies and the whole society are regarded as a whole that should be jointly responsible for the CSR. Company is the main body of the specific implementation of CSR, and meanwhile, the whole society plays the role of supervision (Dillon Kibirige and Hamer, 2019).

The trend of globalization warns us that an increasing number of economic crises and natural disasters are featured by globalization, not just affecting a country or a district. Therefore, companies, especially international companies, should be aware of the importance of proactively fulfilling their social responsibilities. Due to the unbalanced economic development and the differences in the culture and policies around the world, there is no unified international rules and standards for the conduct of CSR. For instance, it may be a huge pressure for some underdeveloped countries and start-up firms to provide sufficient material, financial and human supports for fulfilling their CSR. In some areas where natural disasters or infectious diseases occur frequently, it is difficult for companies in these countries to deal with disasters on their own. In this case, countries and companies from diverse industries around the world should unite and actively make contributions based on their economic conditions and expertise. Globally unified agreements and policies should also be formulated to urge and regulate global companies to perform CSR together to support global citizens (Johnson, Connolly and Carter, 2010).

## 2.4 Economic CSR

Economic CSR means that enterprises should make contributions to the progress of the economic market and social prosperity on the basis of ensuring their own sustainable development. In order to realize the economic goal of CSR, plans and strategies should be formulated in advance during the decision-making process and be implemented in business practices (Torugsa, O'Donohue and Hecker, 2012). Following concrete objectives of economic

CSR, enterprises are expected to ensure their liquidity, create persistent value for shareholders, maximize the efficiency of resources by creating the most output with the least input during the production process and satisfy customers and improve their living conditions by providing them with various high-quality products and services (Bansal, 2005). Vanelslander (2016) emphasized that it is necessary to pay more attention to the appropriate extraction rate and maximum efficiency especially when purchasing and utilizing special raw materials with adverse impacts on the environment, in order to minimize the harmful effects on environmental diversity and sustainability. This reflects the interaction between the economic dimension, environmental dimension, and social dimension. Instead of focusing on immediate interest, economic CSR stresses the significance of sustainability with a long-term perspective, not only for the company development, but also for all stakeholders, capital market and society. However, Torugsa, O'Donohue and Hecker (2012) further explained that a long-term and sustainable perspective and success was not the only standard to evaluate the economic CSR performance of all companies. Compared with large and mature companies, it is more difficult for start-ups to predict a distant future while ignoring recent problems. With limited resources and experience, compared with focusing more on a long-term development, it is easier to achieve a short-term surge, which can also build a foundation for the future. Due to the high flexibility of small firms including owner-managed firms, adjusting their strategies in time according to the unpredictable market conditions to prioritize current problems can also be evaluated as a sensible practice of conducting economic CSR.

## 2.5 Social CSR

In respect of social dimension, companies should devote themselves mainly to the well-being of stakeholders including their employees and a united and harmonious society (Torugsa, O'Donohue and Hecker, 2012). In order to be responsible for the employees, companies can provide employees with a comfortable and safe working environment, to ensure reasonable working hours and appropriate rewards and punishments system to benefit employees' physical and mental health and inspire their enthusiasm. Besides, companies are also encouraged to support individual progress of employees and enhance their sense of accomplishment by providing them with an integrated training and promotion system (Vanelslander, 2016). Bansal (2005) supplemented that the employment of child labour and other unconventional business operations breaching law and ethical standards have to be eliminated. As for all stakeholders, their interests should be taken into consideration during companies' decision-making stage, their supervision rights should be guaranteed by means of information transparency, and effective measures that are beneficial to stakeholders should be adopted. As for the whole society, companies should make contributions to the social prosperity by building healthy relationships with stakeholders (customers, competitors, partners, and suppliers), supplying physical and human support and participating in voluntary activities (Vanelslander, 2016). For small businesses and family businesses, there may be two opposite situations. On the one hand, due to the unstable status and system, small local enterprises are more likely to be affected by employee suggestions, community

system, ethical system, social public opinion environment and competitors. Whether performing CSR or not may depends more on their temporary will and current social environment rather than the established regulations. When the competitors perform CSR well and there is a positive external atmosphere, companies' enthusiasm of CSR may also be greatly stimulated. Small firms can respond to the external environment changes more quickly and adjust their operations to meet the CSR requirements of the public more flexibly. On the contrary, due to insufficient funds, many small companies may not have enough capacity to provide too much capital or equipment support for the society, or to provide employees with an excellent reward and training procedure. In this case, performing CSR can also intensify their pressure (Torugsa, O'Donohue and Hecker, 2012). Therefore, the CSR performance of different firms cannot be assessed by a single set of standards.

## 2.6 Environmental CSR

As the environment gradually attracts more attention of the world, the companies as important participants require to participate more actively and even play the leading role of the whole society in the environment protection. The main goal of the company's environmental CSR is to minimize the damage to the environment caused by business activities and products (Torugsa, O'Donohue and Hecker, 2012). During the production process, the company should improve the utilization efficiency of resources and energy, reduce waste, and control the emission of harmful substances and gases. For products, from their production stage, the usage stage to the disposal stage, the company needs to consider in advance whether they will cause harm to the environment in every stage (Bansal, 2005; Vanelander, 2016). Studies have shown that the ties between countries have become increasingly closer with the progress of globalisation. Some business activities of many companies, especially international ones, may exert huge adverse impacts on the environment all over the world rather than only on one company or one country. These negative impacts on the environment will probably give rise to natural disasters, which will eventually adversely influence humans. Therefore, for environmental CSR, international companies should take the initiatives to assume more responsibilities. Many international companies are making efforts to take global measures to reduce harm to the environment and fulfill their environmental and social responsibilities. However, currently most of these measures are passive and lagging. For instance, some companies supply human, financial and material support, and transportation industry provides free transportation and delivery services in the wake of disasters (Johnson, Connolly and Carter, 2010). These measures are only passive responses to the natural disasters, and adverse impacts to the environment have not been fundamentally controlled. Johnson, Connolly and Carter (2010) suggested that more preemptive measures for the environmental disasters should be taken by the companies in related industries. In addition to curbing harmful effects resulting from their business activities, companies in related industries can also design systems and mechanisms to monitor and predict natural disasters, set up emergency plans, and make material and medical preparations in advance for disasters.

## 3. Research Results

### 3.1 CG Codes and CSR

#### 3.1.1 Gender diversity and CSR

As for the gender diversity of the board, female group has always been the key research subject. Ten years ago, due to urgent environment problems, the research regarding to CSR performance concentrated mainly on companies' responses to climate change. Kracher and Marble (2008) speculated that women might be concerned more about climate change than men. But clear correlation between CSR performance and gender has not been found. The significance of female directors, which occupy only one or two positions in the board, has not yet received much attention (Galbreath, 2009). At the same time, Bear, Rahman and Post (2010) pointed out the influence of gender diversity on board efficiency during the decision-making process. As indicated by Post, Rahman and Rubow (2011), the companies with three or more female directors have more excellent CSR performance, especially on environmental issues. Walls, Berrone and Phan (2012) also stressed the positive impacts of gender diversity on environmental CSR performance. When women hold higher positions, their contributions to the environmental issues are more obvious. The research aiming at Chinese companies found that the companies with more women can not only make more contributions to environmental CSR, but also do better in economic development because women are generally more sensitive to financial crises (Jia and Zhang, 2012). Périlleux and Szafarz (2015) emphasized the advantages of women holding top management positions by stating that female directors are cautious and more inclined to observe government policies and serve the community interests. If there are clear standards for companies' social CSR, the boards with more female directors are more likely to meet the community expectations. Additionally, female directors are more willing to be in accordance with company goals and values, and to work more efficiently for the company sustainable development, which is also significant for economic CSR. Human rights have received more attention in recent years. Scholars' desire for exploring social CSR has been greatly stimulated, and they no longer just concentrate on the relationship between gender diversity and environmental and economic CSR. Since 2017, besides the community prosperity, employee benefits have started to receive more attention. The research by Cho et al. (2015) revealed that the companies with qualified number of female directors take more care of employee living standards and social benefits, and perform more actively in social CSR, with more donations of charity activities. Based on previous studies (Jia and Zhang, 2012; Adams, Hojmosse and Kastrinaki, 2016), philanthropic character of women may be a key driving force enabling them to pay more attention to employee benefits and social charity activities, especially when facing with worldwide disasters. Cook and Glass (2017) further demonstrated beneficial impacts of gender diversity on economic, environmental and social areas of CSR. The boards with more women tend to concentrate more on product quality, sustainability and engage more actively in community activities (Chams and García-Blandón, 2019). However, negative effects of formalism in governance revealed in some studies also deserve more attention. Enterprises should

investigate the practical and profound impact of their strategies, rather than just superficial change (Yarram and Adapa, 2021).

**Table 1:** Effect of gender diversity on CSR.

Author and year published	Positive	Negative/Unclear
Kracher and Marble (2008)		√
Galbreath (2009)		√
Bear, Rahman and Post (2010)	√	
Post, Rahman and Rubow (2011)	√	
Walls, Berrone and Phan (2012)	√	
Jia and Zhang (2012)	√	
Périlleux and Szafarz (2015)	√	
Cho et al. (2015)	√	
Adams, Hoejmoose and Kastrinaki (2016)	√	
Cook and Glass (2017)	√	
Chams and García-Blandón (2019)	√	
Yarram and Adapa (2021)	√	

### 3.1.2 Age diversity and CSR

Different from other influencing factors, the effects of age diversity on CSR performance remain unresolved in the last ten years. As indicated by Galbreath (2009), the age diversity of board members is positively associated with CG performance. Though older directors are more mature with more experience, the initiatives of younger directors promote the company CSR practices in dealing with climate changes. However, Hafsi and Turgut (2013) held an opposite view by arguing that the board age diversity was negatively correlated with CSR performance. Some studies also demonstrated that boards of the majority of companies were characterized by insufficient age diversity, but companies with excessive generation gap would find it hard to assemble directors (Galbreath 2009; Hafsi and Turgut, 2012). Compared with the average age of directors, the age of CEO was regarded to impose greater impacts on CSR outcomes. The companies with CEOs aged over 60 years old have been found to outperform those with younger CEOs (Fabrizi, Mallin and Michelon, 2013). Harjoto, Laksmana and Lee (2014) also stressed that age diversity of the board would exert a negative influence on CSR practices, while overall diversity of the board including gender and expertise is often positively associated with CSR performance. On the contrary, Glass, Cook and Ingersoll (2015) believed that age diversity was beneficial to CSR performance, especially from the environmental perspective. The collision between different age groups can also be viewed as a way to combine various experience, personalities and abilities, which can help absorb various ideas into the board and enhance the CG efficiency. Based on previous studies on the relationship between board age diversity and CSR performance, Chams and García-Blandón, (2019) concluded that there was a curvilinear relationship between age diversity and CSR. Older directors are more experienced and steadier when facing risks and interest conflicts, and meanwhile, younger directors equipped with stronger learning ability and flexibility can bring novel perspectives into the board during the decision-making process. The virtues of different age groups should be combined, while excessive age diversity (age group) can give rise to contradictions. Chams and García-Blandón (2019) also suggested that companies should control the average age of the board by appointing more middle-aged

directors, which is relatively more sensible than appointing too old or too young directors.

**Table 2:** Effect of age diversity on CSR.

Author and year published	Positive	Negative/Unclear
Galbreath (2009)	√	
Hafsi and Turgut (2012)		√
Fabrizi, Mallin and Michelon (2013)	√	
Harjoto, Laksmana and Lee (2014)		√
Glass, Cook and Ingersoll (2015)	√	
Chams and García-Blandón (2019)		√
Gardiner (2022)	√	

### 3.1.3 Expertise diversity and CSR

Similar to studies on the relationship between gender diversity and CSR, studies on other aspects of diversity initially coped more with environmental issues since 2010. In respect of the impact of knowledge, experience, and educational background on environmental CSR, directors with more environmental-related expertise or experience are more capable in making decisions that are beneficial to the environment and participate in environmental CSR more actively. Especially for industries that require high professional competence of a particular field, directors with related academic background or work experience can make more positive contributions (Post, Rahman and Rubow, 2011). However, more research needs to be conducted on the impacts of the diversity of background and knowledge of directors on CG and CSR performance. Walls and Hoffman (2012) further emphasized the importance of the professional knowledge and working experience of the board members. Though the educational backgrounds in line with the company's professional field is certainly important, a board cannot be completely controlled by members with similar expertise. For better collaboration and more perspectives within the board, board members with various types of knowledge and backgrounds can form a high-quality board, and make more contributions to every part of CSR with their personal talents. Jain and Jamali (2016) also argued that directors with various expertise and experience can provide more stances and views during the decision-making process. The variety of directors' backgrounds can lead to the balance of interests and rights, which can reduce the decision errors due to interest bias. If the majority of directors in a board are equipped with similar professional background, the board may keep its eye on one specific area and make unobjective decisions. In recent years, studies regarding to board diversity tend to regard three dimensions of CSR as a whole, instead of evaluating them separately. As indicated by Chams and García-Blandón (2019), directors with high academic degrees in various fields are beneficial to board efficiency, company development and overall CSR performance. Similarly, Oh, Chang and Jung (2019) also agreed that there was a positive correlation between the diversity of educational backgrounds and company CSR participation. Boukattaya and Omri (2021) emphasized the significance of directors' educational level. Directors with higher degree normally perform better in CSR, environmental field and vocational ethics.

**Table 3:** Effect of expertise diversity on CSR.

Author and year published	Positive	Negative/Unclear
Post, Rahman and Rubow (2011)	√	
Walls and Hoffman (2012)	√	
Jain and Jamali (2016)	√	
Chams and García-Blandón (2019)	√	
Oh, Chang and Jung (2019)	√	
Boukattaya and Omri (2021)	√	

### 3.2 Comparison between Two Companies

Based on the macro information collected from previous studies mentioned above, this part is going to compare the two companies to further demonstrate the impact of CG standards on CSR. The two companies, Nike and JD sports, are both fast fashion industries, which have a notorious reputation of polluting the environment in terms of production and products. According to the recent CG management reform and CSR performance of the two companies, the impact of CG standards on CG and CSR performance will be further explored in practice.

Corporate Social Responsibility (CSR) & Environment, Social, Governance (ESG) Metrics can be used as a tool, an index that measures the overall CSR performance of 46,824 companies in 153 countries around the world (Csrhub, 2021). According to this index, JD Sports' CSR performance score is 58% (CSR information for JD Sports Fashion PLC, 2021), while Nike's score is 91% (CSR information for NIKE, Inc., 2021). By comparing the index of these two companies, we can find that Nike's CSR performance is far better than JD Sports though they both come from the same industry.

According to JD Sports annual report (2019), it can be found that compared with the CG standards, the composition of the board of directors in JD Sports may damage the efficiency of CG and the performance of CSR. Firstly, regarding the gender diversity, the board of JD Sports consists of six members, including five men and one woman. The proportion of female directors is 17%, which is far below the minimum requirement of 33% for the FTSE350 company's proportion of female directors (Financial Times, 2019). By contrast, Nike's board of directors has 31% women, with 4 female members among all the 13 members (Nike annual report, 2020). In terms of gender diversity, Nike is more in line with CG related standards than JD Sports.

Secondly, in view of the knowledge diversity, the board members of JD Sports have rich educational background and work experience, covering the fields of economics, sports research, art, chemistry, etc (Board of Directors - JD Group, 2021). Nike's board members also have diverse knowledge backgrounds in fields such as social sciences, e-commerce, medicine, children's education, and charity (NIKE, Inc., 2021). In comparison, the overall board knowledge diversity of the two companies is comparable. But it is worth emphasizing that Nike has set up a CSR committee, which is specifically responsible for directors with experience in the education industry and social affairs industry (Nike annual report, 2020). Under the leadership of this director, the CSR Committee carried out a series of activities on employee rights and consumer rights, which greatly promoted Nike's CSR performance (Board committee - Nike, 2021).

Thirdly, regarding the age diversity, directors of JD Sports come from seven age groups ranging from 40 to 70 with the average age of 56 (JD Sports annual report, 2019), while directors of Nike come from eight age groups ranging from 40 to 80 with the average age of 60 (Nike annual report, 2020). By comparison, it can be found that the age diversity and average age of the JD Sports board of directors are lower than that of Nike.

By comparing the diversity of the two companies' boards of directors, it can be found that Nike performs better than JD Sports in CG, and conforms with the requirements of the CG guidelines. The website also demonstrates that the board diversity of Nike contributes a lot to its excellent CSR outcomes (CSR information for NIKE, Inc., 2021). Obviously, JD Sports is also aware of its own shortcomings in the composition of the board of directors, and the importance of the composition of the board and CG functions in the decision-making process. JD Sports explained in its 2020 annual report that in order to enhance diversity and independence of the board, a series of measures have been taken. For example, one more female member was recruited to the board of directors, increasing the proportion of female directors from 17% in 2019 to 29%. JD Sports has also incorporated more outside directors in the new year to enhance the diversity of the board and provide the company with a unique and rich perspective (JD Sports annual report, 2020).

### 3.3 Further Analysis

Based on the previous studies on the effects of four CG codes on CSR performance, an overview of the changes in research findings over the last ten years can be obtained. Views in respect of gender diversity, expertise diversity were relatively consistent, while the views concerning age diversity obviously diverged. However, the majority of studies reached the consensus that the relationship between CG codes and CSR performance was nonlinear. Board diversity cannot always exert positive impacts on CSR performance. Excessive board diversity and independence will cause the board to be too scattered and difficult to work as a whole. Overly different perspectives will give rise to difficulty in the decision-making process of the board due to conflicts of interests. Both female and male directors, inside and outside directors, young and old directors with their specific strengths and weakness can play diverse roles in the board. A combination of various types of members, rather than a single type of members, is beneficial to CG effectiveness and CSR outcomes (Cruz et al., 2018; Périlleux and Szafarz, 2015). Also, it is of great significance to ensure the proportion of women, who are generally more concerned about CSR activities and play supervisory roles in the CG affairs due to their philanthropic and prudent personality (Dowling and Aribi, 2013; Jia and Zhang, 2012). But personality characteristics are not entirely determined by the biological gender. For example, the personality of some women may not conform to these generalized impression of women. Theoretically, external or independent directors can put forward their opinions from a more objective perspective, but it is difficult to prove whether they really make decisions with an independent and objective thinking (de Villiers, Naiker and van Staden, 2011). This serves as an important reminder that

when companies manage the composition of the board, they should not simply select directors based on theoretical codes, but should evaluate actual characteristics of individual directors.

In addition to the individual analysis of the relationship between the independence and diversity of the board and CSR performance, some scholars also emphasized that the characteristics of the board should be regarded as a whole. The impact of various parameters on CSR is not separated from each other, but exerts an interactive effect (Walls, Berrone and Phan, 2012). Therefore, CG efficiency and CSR performance cannot be dominated by any one parameter. The company should look at the board from diverse perspectives, in order to develop a macroscopic understanding of the relationship between the board and CSR, and on this basis, exercise a comprehensive control over the composition of the board.

In addition to the various indicators, the cultural background of different countries should also be taken into consideration in the analysis process. With various cultural backgrounds, different countries and regions have different standards for CG and board composition (Cho et al., 2017). For example, in some Asian countries, due to the lower status of women growing in their historical and ethical backgrounds, it is not a rigorous requirement that the proportion of female directors of companies in these countries should meet the European CG codes (Jia and Zhang, 2012). By contrast, some countries paying more attention to gender equality also stress the importance of monitoring gender diversity in the company's board (Jain and Jamali, 2016). This also further reminds the country and related organizations that if companies are required to increase the independence and diversity of the board, they should carry out fundamental and in-depth reforms on the cultural and policy environment (Périlleux and Szafarz, 2015).

By comparing two companies from fashion industry, Nike and JD Sports, some information is found to be similar to the views obtained from previous studies. Compared with JD Sports' poor CSR score and the CG problems, Nike's superior performance is worthy of attention. The CSR committee was specially established by Nike, responsible for organizing all aspects of CSR activities, such as training employees, providing support for non-governmental organizations, actively participating in community charities, using environment friendly materials, focusing on product recycling, etc. Nike's committee dedicated to CSR has greatly increased the company's contribution to CSR, which reflects that the composition of the company's board of directors and CG initiatives can have a positive effect on CSR.

Regarding the expertise diversity of the board of directors, although the board members of Nike and JD Sports are all from various backgrounds, Nike hires members with educational background in charity, sociology and education. Directors with CSR-related knowledge and experience can assist the company in making more contributions to CSR. Walls, Berrone and Phan (2012) presented evidence that supported the importance of Nike's expertise. For example, some companies will set up an environmental committee specifically responsible for environmental and social

responsibility, similar to Nike's CSR committee. The existence of the environmental committee has a positive correlation with the company's achievements in environmental and social responsibility. The establishment of CSR-related committees can pay more attention to whether the company's decisions and business activities would harm the interests of stakeholders, and stimulate the company to participate in more CSR activities. This shows that the company must not only pay attention to the expertise diversity, but also give priority to hiring directors with CSR-related knowledge and experience, which will have beneficial impacts on the company's CSR performance.

### 3.4 Limitations

This study has many drawbacks, which provide suggestions and directions for future research. Firstly, the study is only based on the UK CG code, ignoring the different policy environments of other countries and regions. Based on this study, it has been found that due to different cultural backgrounds, different countries have various standards for the composition of the board of directors. Using a unified standard and ignoring cultural differences may lead to bias and reduce the accuracy of the results. Secondly, the research process did not take into account the differences between various industries. Data collected in the research process aimed at a general understanding of all industries, ignoring the different effects of special characteristics of individual industry on CG and CSR. Although two companies from the fashion industry were selected as research subjects, other industries were not covered. In the process of sorting out the existing literature, it can be found that studies working on a single industry are small in number. This provides a direction for future research, and specific industries should be paid more attention to.

## 4. Conclusion and Recommendation

This study mainly explored the CG codes, especially the impacts of board diversity on CSR performance. Under the influence of globalization, companies in different countries are having closer connections. The company's activities will not only affect the country, but also the global economic condition, ecological environment and social prosperity (Cramer, 2017). Against this background, companies should not only concentrate on their own economic development, but also pay attention to the efficiency of CG and the impacts of the realization of CSR on society. As the theoretical basis, TBL should be used by companies to regulate their own behaviors and to fulfill CSR standards. TBL stipulates that companies must first follow the bottom line of the economy and promote the economic prosperity of the whole society in order to ensure their long-term sustainable development. In addition to economic development, the company needs to follow the social and environmental bottom lines, participate in community public affairs, promote social fairness and harmony, utilize natural resources rationally and efficiently, and protect ecological diversity and sustainability (Elkington, 1998). CG is the foundation of CSR, and CSR is the extension of CG. The two influence and promote each other. The composition of the board of directors, an important department of company management, will hugely influence the efficiency of CG, which further affects the performance of



CSR (Jo and Harjoto, 2011). Based on the UK CG code, this research mainly analyzed the impacts of gender, age and expertise diversity of the board on CSR performance. By investigating academic journals in the past ten years, it can be found that scholars generally believe that the greater diversity and higher degree of independence of the board of directors can have a positive impact on CG and CSR. To be more specific, different genders have different characteristics in the management process, and it is advantageous to ensure qualified gender diversity, especially the proportion of female directors. Similarly, members with various knowledge backgrounds can also provide the company with different perspectives, and they can play different roles and work together to promote the development of the company in different cases. What remains as a controversial issue is the influence of age diversity on CSR, but the four characteristics of the board mentioned above have a non-linear impact on CSR. A good board of directors should be composed of different types of members, but excessive differences can easily lead to difficulties for the board to integrate human resources and to work towards the same goal. Regarding the recent board composition and CSR performance of Nike and JD Sports, opinions that are basically consistent with the existing studies can be found. Nike, which has higher degree of diversity and independence, wins an edge over JD Sports in CSR performance.

Regarding the impact of CG composition on CSR, companies should use this as a basis to explore their own management practices. First of all, attention should be paid to the proportion of female members in the board of directors to ensure that women make significant contributions to CSR and the roles of men and women can be balanced. Secondly, we should pay attention to different age groups, especially middle-aged chairmen. Their steadiness and rich experience are beneficial to management. Thirdly, in addition to members with rich knowledge background, members with specialized CSR experience are more conducive to CSR performance. In addition, the establishment of a department specifically responsible for CSR is also an effective measure for the company to pay attention to the interests of stakeholders and improve CSR outcomes.

In general, companies should pay more attention to the benefits of their own business activities to stakeholders, and the impact on the prosperity of the entire society and the ecological environment. Companies from all over the world, different industries and diverse scales should take appropriate measures according to their specific conditions, establish a board of directors suitable for their long-term development, and promote CG efficiency and CSR performance (Khan, Muttakin and Siddiqui, 2012). Under generally consistent CG codes, different companies cannot be required to follow exactly the same standards, and CG standards are not an absolute factor that affects CSR. Therefore, the company should adjust its management in time according to specific circumstances and take into account the sustainable interests of society and nature, rather than blindly keep pace with single CG codes.

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