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The Relationship Between Gender Diversity and the Quality of Non-financial Information Disclosure: A Case Study of Dongpeng Holdings and Zhongji Changshou Science

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Abstract. Although the authorities and others have begun to give more attention to non-financial data recently, how the gender ratio of a board of directors affects disclosure quality has not been well-researched. A bipolar design will be employed in this paper to compare Dongpeng Holdings (high gender diversity) and Zhongji Changshou Science (low gender diversity) based on archival materials such as ESG reports, annual reports and public announcements from 2019 to 2023. Based on the above analysis, it is concluded that gender diversity can enhance the quality of non-financial information disclosure by expanding the scope of focus for issues in the minds of diverse groups and strengthening the supervisory function to prevent misleading disclosure. It will be influenced by the institutional environment and the industry's awareness of social issues. Based on the theory of mechanisms, contextual boundary conditions have been set, and some practical suggestions have been put forward for board structure and disclosure.

Keywords: Board gender diversity, Quality of non-financial information disclosure, Case study, Impact mechanisms

1. Introduction

Non-financial information disclosure, such as environmental, social and governance (ESG) reports, has begun to be used by all sorts of companies to communicate their sustainable development and long-term value to capital markets. Recently, the quality of non-financial disclosures has drawn the attention of investors and regulators, and now it is used to evaluate the risk-resilience and green development capabilities of enterprises [1]. As a result, there have been various adjustments to the old regulatory environment. Since 2016, the Hong Kong Exchanges and Clearing Limited (HKEX) has been rolling out ESG disclosure rules one by one; by 2020, board statements on ESG risks and business environment had to be released, gender-diverse policies needed to be implemented, and social responsibility goals had to be set by listed companies. Therefore, it is hoped that the boards will increase their participation in the creation and dissemination of non-financial information. At the same time, board gender diversity has received much attention in the reform of corporate governance and has been studied to boost the quality of decision-making and strengthen oversight. However, the particular ways in which gender diversity affects the quality of non-financial

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disclosure have not been clarified; most studies have only carried out large-sample regression analysis to find the average effect and have not explored the operating mechanism and related circumstances.

Based on a review of the literature, most of the existing studies on the connection between the gender composition of a board of directors and non-financial disclosures are either theoretical analyses or empirical analyses. At the level of theory, the two main systems are resource dependence theory and agency theory. According to the theory of resource dependence, female directors have added new human resources, social networks and ways of thinking to the board, helping it respond to changes in the external environment more flexibly [2]. Recently, many studies have shown that different types of cognitive diversity in the board of directors can help to better sense environmental risks for the company [3]. In line with agency theory, the presence of women on the board of directors can help to reduce the problem of "groupthink" in the company, strengthen the independence of the board of directors, and improve its supervision over the disclosure by management; new cross-country studies have also found that independent supervision by female directors promotes high-quality non-financial reporting by management [4, 5].

Empirical studies have found that, at the level of directors, women tend to pay more attention to soft issues such as social responsibility and employee welfare [6]. Recently, in some serious analyses of the industry, it has been found that boards with a higher proportion of women are better at dealing with material risks in environmentally sensitive areas and improving the quality of disclosure [7], so the dynamic governance advantages of these boards should be used to enhance the long-term stable disclosure performance of the company [8]. The quality of non-financial information disclosure is usually judged by scholars in terms of coverage, accuracy, comparability and clarity. Earlier research has indicated that non-financial disclosure quality can reduce agency problems and strengthen the market capitalisation effect [9], and its level of disclosure is affected by both the internal governance of the company and the institutional environment outside the company [10]. No one has studied before why, and in what cases, gender differences make people less aware of or find less use in non-financial information disclosure. Most studies have only used the attributes of the board as control variables and have not investigated in depth how gender diversity affects the internal processes of an organisation, such as information collection, issue selection and report preparation; especially, there is a lack of comprehensive research on micro-level banking or manufacturing enterprises operating in transitional institutional environments [11].

In response to the lack of a theoretical basis and empirical research in previous studies, this paper will employ resource dependence theory and agency theory to construct an analysis system based on the cognitive approach, and then identify the two transmission paths by which the board gender diversity affects non-financial disclosure quality; at the same time, it will extend the scope of issues to be considered in substance and strengthen the internal monitoring mechanism to prevent perfunctory regulatory compliance disclosures. The other three reasons for the different sizes of the effects are the strength of the regulatory enforcement for mandatory disclosure, public attention to industry problems and the effectiveness of stakeholder supervision. The first goal is to determine at what level non-financial information will be influenced by the number and structure of women on the board, and to define its governing effects in various situations. Dongpeng Holdings (003012.SZ) and Zhongji Changshou Science Group Co., Ltd. (0767.HK) are the two companies with high and low proportions of female directors, respectively. Both companies independently publish their ESG reports in the same regulatory system and can be compared. There are considerable differences among them in terms of the proportion of female directors, the gender distribution of the management, and the diversity of formal governance systems. Through thematic coding

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comparisons of the ESG reports, annual financial statements and other official announcements from 2019 to 2023, this paper will answer the main problems in an organised way.

This paper provides new data in the three areas of theory, methods and application of practical industry. Firstly, in terms of theory, a model that combines the two transmission paths of cognitive diversity and strengthened oversight will be constructed; conventionally, large-sample quantitative studies have been unable to reconstruct the whole causal chain and operating details and thus cannot explain how gender diversity can lead to governance benefits through micro-level operating data of enterprises. Second, for the methods employed in the study, double-case comparative analysis and thematic coding were used to identify two major problems; that is to say, the specific circumstances affecting the quality of gender diversity in disclosure. Thirdly, in practice, the results can help listed companies revise their board's gender composition and improve the diversity of management; at the same time, regulators will have some references for formulating tailored non-financial disclosure rules in light of the industry, promoting stable development of capital markets.

2. Dongpeng holdings: conception and realisation of gender-diverse governance

2.1. Current situation of gender diversity in the board of directors

Dongpeng Holdings (003012.SZ) is an excellent representative case of high gender diversity and has a very diverse governance structure. First, the proportion of women on the board of directors is relatively large and the traditional single-gender structure has been broken. Second, the composition of the executive team is diverse; at both the board and in the TMT management team, there are many women, indicating a high level of inclusion and diversity, as well as an ordered structure of female leadership roles. Third, formalised diversity policies have been introduced; thus far, the company has issued and implemented special diversity plans to boost the quality of decision-making and promote corporate governance reform by addressing the issue of gender diversity.

2.2. Practices of non-financial information disclosure

Dongpeng Holdings has shown that it is capable of achieving high-quality non-financial information disclosure under the same regulatory environment by means of diversification. Firstly, there will be a regular release of standalone ESG reports by the company to address shareholders' concerns about the sustainability performance of the company in the capital market. Second, active participation in the board: Members of the board of directors take part in all links of producing non-financial information, such as data collection and identifying important issues, as well as compiling the final report, so that this information is in line with the company's strategy.

3. Zhongji longevity science: compliance-driven passive adjustment

3.1. Current situation of gender diversity in the board of directors

Zhongji Longevity Science (0767.HK) is a typical case of insufficient gender diversity governance and shows a passive way of managing gender diversity. First, the proportion of female directors is very low; for a long time, the board has been dominated by men and the proportion of women is much lower than that in companies with high diversity. Second, the executive team is not gender-diverse; women's perspectives have not been included in the team, and the overall gender composition of the executive group is too unbalanced. Third, there is no formal diversity policy; the

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company does not have an internal, proactive plan to advance gender equality in governance and will only make changes in the governance structure due to external regulations.

3.2. Practices of non-financial information disclosure

In light of the increasing demands from the Hong Kong Stock Exchange to raise the level of environmental, social and governance reporting and require boards to issue ESG statements, Zhongji Changshou Science has also released its own ESG report. On the other hand, its board and senior management have had little substance in the creation of non-financial information, and disclosure is mainly for the purpose of meeting regulatory minimum requirements; it is often superficial compliance.

4. Case analysis: analysis of the operating mechanism

Through in-depth thematic coding and cross-case comparison of the annual ESG reports, annual reports and public announcements of the two case companies, this paper will further investigate the underlying reasons why gender diversity affects the quality of non-financial information disclosure. The research shows that the composition of women in the board of directors and the leadership team differs among companies; as a result, the model of corporate governance, strategies, communication with stakeholders, etc., may vary, which in turn affects the quality of non-financial information disclosure. Based on the results of the case study, this paper will examine in more detail how gender diversity affects the quality of non-financial information disclosure.

4.1. Level of gender diversity

Dongpeng Holdings and Zhongji Changshou Science have different proportions of female directors and senior executives, and one of the two companies is a typical case of a high number of women in senior positions, while the other is a low-diversity example. By raising the proportion of female directors and management staff, Dongpeng Holdings has created a more balanced governance system and strengthened its board with rich talent and thinking power. Zhongji Changshou Science has a relatively small proportion of women on its board, and most of the directors are similar in background and way of thinking; therefore, it is likely that the board's views will be uniform and less responsive to changes in the demands of all parties and the outside environment. Therefore, the difference in the gender distribution of the two companies will be a prerequisite for studying various forms of non-financial information disclosure.

4.2. Diversification policy

Whether a company has set up an official diversity plan will determine whether the gender distribution of its staff is only a figure and not an active support for good governance. Dongpeng Holdings has established a general board diversity plan and created institutions to ensure that women participate in the decision-making process of the board and important issues are identified at the board level. This way, women can use their professional knowledge and management skills more fully to help the board make decisions based on facts and achieve better results. Zhongji Changshou Science has not established a strong diversity policy system and lacks stable institutional guarantees for the participation of women in the company's board of directors. In response to the new regulations from the government, the company has made only superficial changes to promote gender equality and does not address the underlying reasons why it has been limited. Therefore, the scope

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of women's participation in corporate governance is affected by diversity policies, and it will not be conducive to strengthening the company's internal management to some extent.

4.3. Quality of non-financial information disclosure

Based on the results of case analysis, gender diversity may affect the quality of a company's non-financial information disclosure in several ways, thus improving the completeness, reliability, comparability and clarity of the disclosure. Dongpeng Holdings has a large number of women on its board of directors and good governance to create a diverse-thinking environment. Therefore, the board will be able to identify the relevant environmental, social and governance issues from the perspectives of all parties and continually improve non-financial disclosure. Zhongji Changshou Science has a relatively homogeneous board of directors, so it does not pay much attention to non-financial risks, and its disclosures are mainly for regulatory purposes; both the quality of this information and the depth of disclosure are relatively weak.

First, the different genders among the members of the board of directors can help the company discover serious problems in a more thorough manner. By adding women from all walks of life and with extensive professional experience to the board of directors, Dongpeng Holdings has begun to focus more on non-financial indicators such as employees' rights and interests, social responsibility, customer relationships and sustainable development, thus adding these factors to its corporate information disclosure. The diversified viewpoint will add more information to the board and allow it to better grasp the needs of various parties in various ways; therefore, non-financial disclosures can be more all-encompassing and robust.

Secondly, gender diversity can strengthen the supervisory function of the board and improve the credibility of non-financial information disclosure. The addition of female directors can help increase the independence and supervision strength of the board, and therefore it will be stricter in supervising the collection, review and disclosure of management's information. Dongpeng Holdings has strengthened the supervision of information disclosure by the board of directors, strengthened internal governance mechanisms, reduced symbolic disclosures and "greenwashing" activities, and thus improved the authenticity, consistency and credibility of corporate disclosures. At Zhongji Changshou Science, due to the relatively small proportion of women in the board of directors, the supervisory function of the board has not been fully exercised and, as a result, there is some form of procedural disclosure in the company's information disclosure.

In addition, the effect of gender diversity on the quality of non-financial information disclosure is also jointly influenced by the external institutional environment and the operating context of the company. As the Hong Kong Stock Exchange continues to improve the ESG disclosure regulatory system and public awareness of corporate sustainability increases, companies must meet the various demands for information from all parties to society. At the same time, different industries have different levels of attention to social responsibility and environmental governance, as well as diverse levels of stakeholder supervision; all these external factors together affect the promotion effect of gender diversity on corporate governance. Therefore, only by strengthening institutional guarantees, improving the governing ability of the board, and proactively responding to new regulations from all sides can enterprises make full use of the governance advantages of gender diversity to boost the quality of non-financial information disclosure.

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5. Cross-case generalisation of situational conditions

Through a comparison of Dongpeng Holdings and Zhongji Changshou Science, this paper finds that there are three types of circumstances affecting the effect of gender diversity on the quality of non-financial information disclosure.

5.1. Mandatory disclosure system: from "compliance threshold" to "governance catalyst"

Formal laws, regulations and other rules are the basic institutional system that regulates the extent to which gender diversity information is disclosed.

From 2016 to 2020, the Hong Kong Stock Exchange gradually increased the regulations on the low-diversity group of Zhongji Changshou Science; By 2020, it had begun to require ESG reports and climate disclosures from the board, as well as strictly prohibiting single-sex boards. The main reasons for the above conditions are stricter than merely meeting a standard; although the board of directors has shown diversity recently by adding independent women directors, it may be for reasons other than promoting diverse perspectives within the company, such as meeting new regulatory requirements. Therefore, the mechanism to strengthen supervision has failed to achieve its goals, and the non-financial report does not comply with the regulations.

Dongpeng Holdings has many subsidiaries, and as such, the comprehensive mandatory disclosure system has been able to provide a solid legal basis for the governance of women directors and senior managers of the board; the advantages of multiple views and strengthened supervision can now be more smoothly transformed into concrete organisational practices to improve the overall quality of information collection and the reporting system.

5.2. Industry sensitivity to social issues: the boundaries that drive "cognitive resonance"

Due to different industrial conditions, there are also various levels of non-financial risks in different companies; thus, the extent to which the "cognitive diversification path" can be implemented will also vary.

Dongpeng Holdings is engaged in the construction materials and home furnishings manufacturing industries; it belongs to the group of "highly sensitive industries concerning environmental and social issues", which have high energy consumption, considerable carbon emissions, an integrated supply chain, etc. Therefore, the substantive issues of workplace safety, the path to carbon neutrality, green supply chains and employees' occupational health are directly related to the long-term value and survival foundation of the company. Female directors have their own different perspectives and a sense of the softer side that is more attuned to the current focus on social and environmental issues in China; thus, they have helped Dongpeng Holdings uncover more important problems and broaden the content of its reports significantly.

On the other hand, the industry where Zhongji Changshou Science is based has shown little response to environmental issues. Due to a lack of strong industry urgency, the diversity advantage of the board in terms of gender is not fully utilised in the selection of issues, and thus its disclosure practices cannot be deep in substance.

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5.3. Attention from external stakeholders: determining the synergistic pressure for "supervision enhancement"

Pressure from capital markets, rating agencies, the media, supply chain partners, etc., is an informal institution that has reduced the efficacy of board supervision.

Supervisory Reinforcement in High-Profile Cases: Dongpeng Holdings is a well-known A-share listed company and an industrial leader; thus, it often attracts the attention of top investment institutions, green finance promoters and third-party ESG rating agencies such as Wind and Shangdao Ronglv. As shown above, the "spotlight effect" will be spread outwards, and these groups will work together to improve the independent oversight function of the gender-diverse board of directors. Under the pressure of the outside world, the supervisory role of female directors will be strengthened and thus help curb the problem of symbolic disclosure and greenwashing by management more effectively.

Supervisory Desensitisation in a Low-profile Environment: Zhongji Changshou Science is a typical case; due to relatively little attention and trading in the capital market, external parties pay less attention to the quality of its non-financial information. Without such external pressure, even if gender diversity is added to the board of directors, in the absence of corresponding external momentum, there will be a drop in internal supervisory efficiency and it will be difficult to improve the quality of non-financial disclosures significantly.

6. Conclusion

Based on resource dependence theory and agency theory, a case-pairing method will be used to study how and why different situations have different effects on the quality of non-financial information disclosure due to changes in the composition of board members. Through extensive comparison and thematic analysis of Dongpeng Holdings and Zhongji Changshou Science, it was found that gender diversity promotes the improvement of the quality of ESG disclosure in two main ways: "cognitive diversity" and "supervisory reinforcement". A large number of people of different genders can bring diverse human resources and various perspectives to the company, significantly broaden the scope of identification for important issues in the reporting period, and also dissipate group bias to strengthen the independent oversight capacity of the board in the preparation and review process; thus, it helps to curb the tendency of management to engage in symbolic disclosure and "greenwashing". In addition, this dual-drive effect also changes dynamically according to various circumstances, such as mandatory disclosure requirements from the outside, the importance of industry-specific issues, and changes in public opinion. From the above results, it can be seen that research on the quantity of micro-level organisational processes is relatively sparse at present, but they also provide ample case studies for exploring the economic effects of gender diversity at all levels.

Although this study has provided some knowledge about the black-box relationship between diversity and disclosure, it also has certain shortcomings: the design of the dual-case polar pairing is restrictive and limits the external statistical generalizability of the results, and by using only publicly available texts and announcement codes, the micro-level psychological decision-making process of board members cannot be fully known. Therefore, this paper recommends that companies should go beyond passive "digital compliance" and optimise the gender composition of their boards and executive teams, establish endogenous diversity policies to ensure the substantive participation of female directors in non-financial information production, etc. Regulatory authorities should release all kinds of targeted non-financial disclosure rules that differ by the social-issue sensitivity of

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various sectors. In the future, more research will be carried out to expand the scope of the sample; mixed methods that combine qualitative and quantitative analysis will be employed, primary data will be collected through questionnaires and in-depth interviews, and the long-term impact of informal board cooperation on the sustained governance ability of enterprises will be explored to promote the theoretical development of this field.

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