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Pay gaps, board diversity and social responsibility performance

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Orientation: Amid increasing stakeholder scrutiny of fairness in executive compensation and inclusive governance, there is growing interest in how internal pay structures and board composition influence firms' social responsibility performance (SRP).

Research purpose: This study examined the relationship between internal pay gaps (salary gaps and gender pay gaps) and SRP, as well as the effect of board diversity on this relationship.

Motivation for the study: Existing research often treats pay disparities and board diversity as separate governance concerns. This study integrates these dimensions to examine their combined influence on SRP, addressing a gap in the literature.

Research approach/design and method: Using firm-level data from the Refinitiv Eikon Database covering the period 2003–2023, this study applies panel regression models to analyse the direct effects of salary and gender pay gaps on SRP. Moderated regression analyses were conducted to assess the interaction effects of board gender diversity and board nationality diversity.

Main findings: The findings show that both salary and gender pay gaps positively influence SRP, suggesting that firms with higher internal pay disparities may pursue SRP as a legitimacy-enhancing strategy. However, the moderating effects of board diversity are inconsistent.

Practical/managerial implications: The results suggest that while internal pay gaps may incentivise social responsibility actions, board diversity alone may not strengthen this effect, highlighting the need for complementary governance mechanisms.

Contribution/value-add: This study advances understanding of how pay structures and governance interact to shape SRP, offering integrated insights for scholars, boards and policy makers.

Keywords: gender pay gap; salary gap; board diversity; social responsibility performance; environmental, social and governance.

Introduction

Executive compensation structures and pay disparities in organisations have long been subject of regulatory and public scrutiny in global financial markets (D'Mello, Kwon & Toscano 2024; Hu 2025; Zhang & Zhao 2022). These concerns have intensified amid growing debates on income inequality, ethical business practices and social responsibility performance (SRP) (Enderle 2018; Hudson, Gonzalez-Gomez & Claasen 2022). In response, both developed and emerging economies have introduced measures to enhance pay transparency and address pay disparities. South Africa, for example, is widely recognised as one of the most unequal societies globally, as evidenced by its Gini coefficient (World Bank 2024). Against this backdrop of structural income disparity, the country has introduced pay gap disclosure legislation (Chetty 2024). This legislative development mirrors broader global regulatory shifts observed in jurisdictions such as China, the United Kingdom and the United States of America (Sharkey, Pontikes & Hsu 2022).

The impact of pay disparities on corporate dynamics has been extensively examined, with existing literature establishing connections with firm performance (Banker, Bu & Mehta 2016; Shen & Zhang 2018), risk-taking behaviour (DeYoung et al. 2019), and environmental, social and governance (ESG) disclosures (Fang et al. 2018; Zhang et al. 2023). In recent years, ESG considerations have gained prominence, driven by both regulatory mandates and evolving stakeholder expectations (Flammer 2015; Tsang, Frost & Cao 2023; Zhang & Zhao 2022). Although ESG has received substantial scholarly attention across its ESG dimensions (He, Guo & Yue 2024;

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Zhang et al. 2023), the social ('S')[1] pillar remains conceptually broad and multifaceted, encompassing issues such as employee welfare, human rights, community engagement and product responsibility. Given this complexity, further in-depth empirical investigation into the determinants of SRP, particularly those rooted in internal governance and compensation structures, is warranted.

This study examined pay disparities across two key dimensions: (1) executive-to-average employee remuneration differentials (salary gap) and (2) gender-based pay gaps. Salary gaps, which reflect remuneration disparities between top executives and lower-tier employees, can serve as both an incentive mechanism and a source of organisational tension (Bebchuk & Fried 2004; Zhang et al. 2023). The agency theory suggests that such differentials incentivise executives to maximise firm value and potentially align corporate actions with broader stakeholder interests, including social responsibility (Hu 2025; Jensen & Meckling 1976; Ko et al. 2020; Miles & Angelis 2022; Wang et al. 2022). Conversely, the social comparison theory posits that individuals evaluate their own outcomes by comparing them with those of relevant others (Festinger 1954). Within organisational settings, employees are likely to compare their compensation and advancement opportunities with those of their executives and peers. When pay differentials are perceived as excessive or unjustified, such comparisons may generate perceptions of inequity, leading to reduced morale, diminished organisational commitment and lower workplace cohesion. Persistent perceptions of distributive injustice can undermine trust in leadership and weaken the psychological contract between employees and the firm. In this way, large internal pay disparities may erode workforce solidarity and negatively affect social performance outcomes (Han, Wang & Cheng 2021). Gender pay gaps, which highlight wage disparities between male and female employees, further complicate this discourse, as they may either drive firms towards more inclusive social responsibility policies or exacerbate existing inequalities and ultimately influence ESG outcomes (Blau & Kahn 2017; D'Mello et al. 2024; Ding et al. 2022).

Corporate governance, particularly board diversity, has gained recognition as a key determinant of ethical decision-making and corporate responsibility (Adams & Ferreira 2009; Singh & Arora 2025; Zhang et al. 2023). A diverse board, encompassing gender, cultural, generational and professional heterogeneity, can enhance decision-making processes, strengthen ethical oversight and influence ESG performance (Liu, Wei & Xie 2014; Zampone et al. 2024). However, empirical evidence remains inconclusive. While some studies indicate that board diversity fosters strong ESG performance by broadening perspectives and improving governance practices (Dodd, Frijns & Garel 2022; Dong, Liang & Wanyin 2023; Paolone et al. 2025), others argue that extremely high levels of heterogeneity within boards may, in some contexts, increase coordination costs, intensify relational conflict and slow decision-making processes (Al-Hiyari et al. 2023; Menicucci & Paolucci 2022). While diversity can enhance cognitive variety and monitoring effectiveness, very high dispersion across multiple demographic or experiential dimensions may also complicate consensus formation. The net effect of diversity therefore depends on its composition and the institutional context in which it operates. To date, there is limited literature on studies that systematically examined how board diversity moderates the relationship between pay disparities and SRP. To address this gap, this study investigated not only the direct effects of salary and gender pay gaps on SRP but also the moderating influence of board diversity in this context.

By integrating insights from the agency theory, social comparison theory and stakeholder theory, this study contributes to the ongoing discourse on ESG performance in several ways. Firstly, it offers a novel perspective on the intricate relationship between pay gaps and SRP, with emphasis on the need to incorporate social responsibility considerations into executive incentive structures, which are often implicated in widening income inequalities. Secondly, this research expands the literature on ESG determinants (e.g. Paolone et al. 2025; Zhang et al. 2023), with a particular focus on advancing deeper empirical insight into the 'S' component. While prior studies have examined ESG from multiple perspectives, the social pillar presents distinctive measurement and conceptual challenges that merit more granular and integrative investigation (Cid-Bouzo, Ferreiro-Seoane & Rios-Blanco 2024). Furthermore, existing research on social performance tends to focus on single firms or specific economies. Given that inequalities are a global phenomenon, this study leveraged a global dataset to enhance the understanding of the drivers and implications of the social dimension of ESG. The findings provide valuable insights for policymakers, corporate leaders and investors seeking to balance financial incentives with ethical and socially responsible business practices.

The remainder of this article is structured as follows: the next section presents the literature review on pay disparities and SRP, along with the development of the research hypotheses. This is followed by a description of the data sources and methods of statistical analysis. The empirical results are then presented, and the final section concludes the study.

Literature review and hypothesis development

Theoretical framework

Several theoretical frameworks inform the relationship between pay gaps, board diversity and SRP. The agency theory (Jensen & Meckling 1976) posits that salary differentials, stemming from incentive structures, align executive interests with firm performance, potentially extending to socially responsible initiatives (Miles & Angelis 2022;

1.This article focuses on the 'S' component of ESG, referred to as the SRP score (or social pillar score), which evaluates a firm's performance in social dimensions such as labour practices, community engagement, and diversity. The 'S' pillar (SRP score) is composed of four dimensions, namely the workforce score, community score, product responsibility score, and human rights score.

Zhang & Zhang 2023). In contrast, the social comparison theory (Festinger 1954) highlights the negative consequences of excessive wage disparities and cautions that they may undermine organisational cohesion and reduce engagement in social responsibility efforts. The stakeholder theory (Freeman 1984) suggests that firms with equitable pay structures and diverse governance mechanisms are better positioned to address social and environmental concerns, as they are more attuned to the expectations of a broad range of stakeholders.

A unifying theme across these theories is the recognition that pay structures are not merely financial mechanisms but also social and ethical constructs that shape firm behaviour. The agency theory emphasises the importance of aligning executive incentives with long-term social responsibility goals (Hu 2025; Ko et al. 2020; Wang et al. 2022). The social comparison theory highlights the psychological and cultural implications of pay disparities for employee engagement and ESG outcomes (Miao, Zhang & Zheng 2020; Wang & Lin 2024). The stakeholder theory extends this discourse by framing equitable compensation as a strategic imperative for sustainable ESG performance (Awa, Etim & Ogbonda 2024; Cheng & Zhang 2023; Larcker & Tayan 2020). The moderating role of board diversity is critical in reconciling these theoretical perspectives. A diverse board mitigates agency conflicts, enhances internal equity and reinforces ethical leadership, thereby fostering stronger ESG performance (Dong et al. 2023). By integrating nationality and gender diversity, firms can strengthen governance mechanisms that enhance transparency, accountability and ethical oversight, which, in turn, influence how pay disparities shape social responsibility outcomes.

By synthesising these theoretical perspectives, this study advances the discourse on corporate governance, executive compensation and ESG performance. While prior research has examined these theories in isolation, their combined application offers a more comprehensive lens for analysing the impact of pay disparities on firm sustainability. This theoretical triangulation addresses an important research gap by emphasising the role of board diversity in moderating the pay-ESG nexus. Existing studies have largely overlooked how nationality and gender diversity intersect with remuneration policies and social performance outcomes. By bridging this gap, this study provides valuable insights for policymakers, corporate leaders and academics, and offers a more refined understanding of the governance mechanisms that drive responsible corporate behaviour.

Beyond agency, social comparison and stakeholder theories, legitimacy theory provides an important complementary lens for interpreting the relationship between pay disparities and SRP. Legitimacy theory posits that organisations seek to ensure congruence between their actions and the norms, values and expectations of society in order to secure continued access to resources and maintain organisational survival (Suchman 1995). When legitimacy is threatened, such as through public scrutiny over excessive executive remuneration or widening income inequality, firms may respond by engaging in symbolic or substantive actions designed to restore legitimacy.

Symbolic legitimacy strategies involve increased disclosure or visible social initiatives that signal responsiveness, without necessarily altering underlying structural inequalities. Prior research suggests that firms facing reputational risk or weaker sustainability performance may increase ESG disclosure as a compensatory mechanism (Buitendag, Fortuin & De Laan 2017; Van der Lugt & Mans-Kemp 2022). Within this framework, higher pay gaps could generate legitimacy pressure, prompting firms to intensify social responsibility initiatives or reporting to offset negative perceptions associated with inequality.

Accordingly, while agency theory frames pay gaps as incentive-alignment mechanisms and stakeholder theory emphasises responsiveness to stakeholder demands, legitimacy theory offers an alternative explanation: firms with pronounced internal disparities may strategically leverage SRP to maintain or repair societal approval. This perspective is particularly relevant for interpreting positive associations between pay gaps and SRP observed in empirical analyses.

Taken together, agency, social comparison, stakeholder and legitimacy theories provide complementary yet distinctive lenses through which the pay gap – SRP relationship may be interpreted. Agency theory frames compensation dispersion as an incentive-alignment mechanism. Social comparison theory highlights internal equity perceptions and employee morale consequences. Stakeholder theory emphasises responsiveness to broader stakeholder expectations. Legitimacy theory, however, introduces the possibility that firms with pronounced internal disparities may engage in symbolic or substantive social performance activities to maintain social approval. The present study adopts this multi-theoretical perspective to interpret the observed associations.

Executive-to-average employee remuneration (salary gaps) and social responsibility performance

The impact of salary gaps on SRP remains a contentious issue. Some studies argue that pay differentials drive corporate efficiency and resource allocation, which ultimately fosters social responsibility initiatives as a means of reputational enhancement (D'Mello et al. 2024; Huang & Wang 2022). Others contend that excessive pay disparities undermine employee trust and corporate credibility, which leads to weaker commitments to social responsibility (Flammer 2015). High wage dispersion can generate internal resentment and reduce employee morale and engagement, which in turn affects firms' social responsibility initiatives (He, Long & Kuvaas 2016). Moreover, organisations with extreme executive pay ratios may face negative public perception, which can lead to regulatory scrutiny and pressure to enhance social responsibility (Park & Han 2023). Considering these competing perspectives, this study hypothesised that:

H1: There is an association between salary gaps and SRP.

Gender pay gaps and social responsibility performance

Gender pay disparities have been widely studied in labour economics, but their implications for SRP remain underexplored (Ding et al. 2022). Firms with significant gender pay gaps may face reputational risks, regulatory scrutiny and social backlash, which can prompt them to adopt stronger social responsibility policies as a compensatory strategy (Cook, Ingersoll & Glass 2018; Li et al. 2024). Conversely, persistent gender inequalities may indicate a broader lack of commitment to social responsibility, which weakens overall performance in this domain (Bennedsen, Larsen & Wei 2023; Eveline & Todd 2009). Furthermore, organisations that demonstrate gender pay equity tend to cultivate more inclusive work environments, which may strengthen their social responsibility performance (DiBella et al. 2023). Given these contrasting viewpoints, the study hypothesised that:

H2: Gender pay gaps are associated with SRP.

Pay disparities, board diversity and social responsibility performance

Corporate governance literature highlights the significance of board diversity in shaping strategic decision-making and ethical considerations (Guldiken et al. 2019; Larcker & Watts 2020). Board nationality diversity introduces cross-national perspectives and exposure to different institutional and regulatory environments (Dodd et al. 2022). Similarly, gender-diverse boards have been associated with stronger social responsibility engagement, improved governance practices and greater ethical oversight (Beji et al. 2020; Paolone et al. 2025). The intersection of executive compensation and board diversity is particularly critical, as diverse boards may be more effective in aligning pay structures with broader social responsibility objectives (Chen & Tebourbi 2020).

Board gender diversity has been associated with enhanced monitoring, improved stakeholder orientation, and greater emphasis on social and ethical considerations. Nationality diversity may introduce cross-institutional experience and broader governance exposure. However, empirical findings remain inconclusive, and the influence of diversity appears contingent on institutional and sectorial context. The present study therefore examines diversity as a potential moderating governance mechanism rather than as a universally beneficial attribute. In line with this argument, the study hypothesised that:

H3: Board nationality diversity moderates the relationship between salary gaps and SRP.

H4: Board gender diversity moderates the relationship between gender pay gaps and SRP.

Research design

This study utilised data obtained from the Refinitiv Eikon Database (Eikon) for the period 2003–2023. The Eikon database is one of the leading global sources for ESG data, and was widely used in previous studies (e.g. Cai, Pan & Statman 2016; Martiny et al. 2024; Paolone et al. 2025). The initial dataset included all available firm-year observations; however, observations with missing data were excluded through listwise deletion, which resulted in a final sample of 8364 firm-year observations. The dataset spanned multiple countries and industries, thus enhancing the generalisability of the findings (Aluchna, Roszkowska-Menkes & Kaminski 2022). The study adopted a quantitative research design and employed econometric modelling to investigate the relationships among the key variables.

Dependent variable: Social responsibility performance

Social responsibility performance served as the dependent variable in this study and was operationalised using the Refinitiv ESG Social Pillar Score ('S' score). The Refinitiv Social Pillar Score is a composite index derived from multiple underlying indicators grouped into four primary dimensions: Workforce, Human Rights, Community and Product Responsibility.

According to the Refinitiv ESG methodology (Refinitiv 2023), the Workforce dimension captures indicators related to diversity and inclusion (e.g. percentage of women employees, equal opportunity policies), working conditions (e.g. trade union representation, employee turnover, health and safety systems), training and development and employee satisfaction. The Human Rights dimension evaluates adherence to internationally recognised conventions and policies relating to human rights protection across operations and supply chains. The Community dimension measures corporate citizenship, public health initiatives, ethical conduct and stakeholder engagement. The Product Responsibility dimension assesses product quality, customer safety, data privacy and responsible marketing practices.

Importantly, several underlying Workforce indicators, such as diversity and inclusion metrics and gender-related employment statistics, may conceptually intersect with the gender pay gap variable examined in this study. For example, higher female workforce participation or stronger diversity policies could contribute positively to the Workforce score. Similarly, indicators such as trade union representation and collective bargaining coverage form part of the working conditions assessment. These elements reflect structural labour relations that may also be indirectly associated with internal pay dispersion.

Given this multidimensional structure, the SRP score captures a broad institutional and governance environment rather than a single isolated social outcome. Accordingly, the interpretation of the empirical results requires careful consideration of how pay disparities and board diversity may influence, complement or potentially overlap with specific underlying components of the Workforce and related sub-dimensions. Refinitiv's ESG scoring methodology is publicly available and detailed in its 'ESG Score Methodology' documentation (Refinitiv 2023).

Independent variables

The primary independent variable was the pay gap, which was categorised into two components. The chief executive officer (CEO)–employee salary gap was measured as the ratio of the CEO's total salary (or the highest salary in the firm) to the average salaries and benefits of employees. The gender pay gap was defined as the percentage of female employees' remuneration compared to male employees' remuneration for similar roles in the firm. Both measures captured executive pay disparities and broader wage inequalities in the firms, which were hypothesised to impact SRP.

Moderating variables

The study examined the moderating role of board diversity, which was disaggregated into two components. Board nationality diversity was measured as the percentage of board members whose nationality differs from the country in which the firm's headquarters is located. This measure captures cross-national representation on the board rather than broader cultural heterogeneity. While nationality may proxy for exposure to different institutional environments and governance traditions, it does not fully reflect within-country cultural, ethnic or linguistic diversity. Accordingly, the construct is more accurately interpreted as nationality diversity rather than comprehensive cultural diversity. This moderating variable assessed the extent to which cross-national perspectives and exposure influenced the relationship between the salary gap and SRP. Board gender diversity was defined as the percentage of female board members. This measure evaluated whether increased female representation on the board moderated the relationship between the gender pay gap and SRP. Both moderators were anticipated to influence the effectiveness of governance mechanisms in addressing pay disparities and their social performance implications.

Control variables

To account for potential confounding factors, the study included several firm-level governance controls. Board independence was measured as the percentage of independent board members. Greater independence is associated with stronger corporate governance oversight and accountability, which potentially affect SRP (Beji et al. 2020; Martiny et al. 2024). Board tenure was defined as the average tenure (in years) of board members. Longer tenure may provide institutional knowledge that is beneficial to social responsibility initiatives. Chief executive officer duality was a binary variable that indicated whether the CEO also served as the board chair or if the chairperson had previously held the CEO position. Chief executive officer duality was included to control for power concentration, which may influence social responsibility commitments (Garcia-Blandon, Aegilles-Bosch & Ravenda 2019). Remuneration committee independence was measured as the proportion of independent directors on the remuneration committee. This control accounted for the extent to which compensation governance mechanisms aligned executive pay with social responsibility objectives. Table 1 presents the definitions and sources of all the study variables.

Model specification

The study employed panel data regression techniques to assess the hypothesised relationships. The econometric models included a baseline model to examine the direct effects of the salary gap and gender pay on SRP, as well as a moderation model to test the interaction effects of board nationality diversity and board gender diversity on the relationships between the salary gap and SRP, and the gender pay gap and SRP, respectively. Both fixed effects and random effects models were estimated, with the Hausman test conducted to determine the preferred specification. Robust standard errors were applied to address potential heteroskedasticity (assessed using the Breusch-Pagan-

TABLE 1: Description and definitions of variables.

Abbreviation	Description	Definition	Source
SRP	SRP (social score)	The 'S' score in the ESG framework reflects an organisation's commitment to social factors.	Eikon
WF_Score	Workforce score	This score measures a company's effectiveness in ensuring job satisfaction, maintaining a healthy and safe workplace, promoting diversity and equal opportunities and facilitating workforce development.	Eikon
HR_Score	Human rights score	It assesses the company's adherence to fundamental human rights conventions.	Eikon
C_Score	Community score	This score evaluates the company's commitment to corporate citizenship, public health protection and adherence to ethical business practices.	Eikon
PR_Score	Product responsibility score	It measures a company's ability to deliver quality goods and services while ensuring customer health, safety, integrity and data privacy.	Eikon
SGAP	Salary gap	The ratio of the CEO's total salary (or the highest salary in the organisation) to the average salaries and benefits of employees is also considered.	Eikon
GPGAP	Gender pay gap	The percentage of women's remuneration compared to that of men, often for performing the same roles.	Eikon
BNDIV	Board nationality diversity	The percentage of board members whose nationality differs from the country in which the firm's headquarters is located.	Eikon
BGDIV	Board gender diversity	Percentage of women on the board.	Eikon
BTENURE	Board tenure	Average number of years each board member has served.	Eikon
BIND	Board independence	The percentage of independent board members as reported by the company.	Eikon
IND_REMCO	Remuneration committee independence	The percentage of independent board members on the remuneration committee, as reported by the company.	Eikon
CEO_DUAL	CEO duality	Indicates whether the CEO also serves as the chairperson or if the chairperson has previously held the role of CEO.	Eikon

ESG, environmental, social and governance; CEO, chief executive officer; SRP, social responsibility performance.

Godfrey [BPG] test) and autocorrelation (assessed using the Breusch-Godfrey test). Furthermore, variance inflation factors (VIFs) were calculated to assess multicollinearity in order to ensure the reliability of the coefficient estimates.

While sectoral differences in compensation and diversity practices are acknowledged, the primary objective of this study is to examine the overall relationship between pay disparities and SRP across institutional contexts. Detailed sector-specific modelling falls beyond the scope of the present analysis and represents a promising avenue for future research. To examine the relationship between pay gaps and SRP, the following baseline linear regression models (Equation 1 and Equation 2) were specified:

$$SRP_{it} = \alpha_0 + \alpha_1 SGAP_{it} + \sum_{k=1}^{6} \delta_k Control_{it} + Ind_i + Year_t + \varepsilon_{it} \quad \text{[Eqn 1]}$$

$$SRP_{it} = \alpha_0 + \alpha_1 GPGAP_{it} + \sum_{k=1}^{6} \delta_k Control_{it} + Ind_i + Year_t + \varepsilon_{it} \quad \text{[Eqn 2]}$$

where: $_{it}$ represents a specific firm in a specific year; SRP_{it} is social responsibility performance; the key explanatory variables $SGAP_{it}$ and $GPGAP_{it}$ are salary gap and gender pay gap, respectively; and $Control_{it}$ represents a battery of control variables (CEO duality, board independence, compensation committee independence and board tenure). The inclusion of six control variables in the regression equations, as opposed to the four presented in Table 1, was attributable to the need to account for the effects of additional pay gap and diversity variables. This approach resulted in an increase in the number of control variables to six in each of the two models. Given the two-decade panel structure of the data, year fixed effects were included in all regression specifications to control for time-specific macroeconomic, regulatory and ESG reporting developments. These controls mitigate potential confounding effects arising from evolving disclosure standards, governance reforms and global sustainability norms over time.

Moderation effect test

For Hypotheses 3 and 4, which posit that pay gaps can enhance board diversity and thereby promote the ESG-social pillar performance through improved board diversity, the following models (Equation 3 and Equation 4) were specified:

$$SRP_{it} = \beta_0 + \beta_1 SGAP_{it} + \beta_2 BNDIV + \beta_3 \left(SGAR_{it} * BNDIV_{it} \right) + \sum_{k=1}^{6} \delta_k Control_{it} + Ind_i + Year_t + \varepsilon_{it} \quad \text{[Eqn 3]}$$

$$SRP_{it} = \beta_0 + \beta_1 GPGAP_{it} + \beta_2 BGDIV + \beta_3 \left(GPGAP_{it} * BGDIV_{it} \right) + \sum_{k=1}^{6} \delta_k Control_{it} + Ind_i + Year_t + \varepsilon_{it} \quad \text{[Eqn 4]}$$

Note: *BNDIV* represents board nationality diversity and *BGDIV* represents board gender diversity. All the variables were defined in Table 1.

It is important to note that the empirical design is based on observational panel data and does not permit causal inference. The reported findings therefore reflect statistical associations between pay disparities and SRP, rather than causal effects. Interpretation of the results should accordingly be framed in relational rather than causal terms.

Empirical results

This section presents descriptive statistics, correlation matrices and the regression results.

Descriptive statistics

Table 2 presents the descriptive statistics and highlights the key characteristics of the study variables.

The salary gap has a mean value of 713.17, with a notably large standard deviation (SD) of 28 968.01, which indicates substantial variation across firms. The maximum value of 2 183 100 suggests the presence of extreme cases of pay disparity. The gender pay gap has a mean of 88.74%, which suggests that, on average, women earn approximately 88.74% of what men earn for comparable work. However, the wide range of values (19.70% to 128%) highlights that some firms experience severe gender-based pay disparities. Regarding SRP, the mean score is 61.73, with variations across firms (SD = 21.66%), while its dimensions, workforce-related SRP (WF_Score), community-related SRP (C_Score), human rights-related SRP (HR_Score) and product responsibility-related SRP (PR_Score) exhibit mean values of 73.38%, 63.70%, 49.21% and 55.82%. These values suggest that firms generally prioritise workforce and community-related social responsibility, while human rights-related performance lags behind. Board diversity indicators reveal that board nationality diversity and board gender diversity have mean

TABLE 2: Descriptive statistics.

Variable	*N*	Mean	SD	Min.	Max.
SGAP (ratio)	8364	713.17	28 968.01	0.00	2 183 100.00
GPGAP (%)	1108	88.74	12.34	19.70	128.00
SRP (%)	8364	61.73	21.66	0.89	98.47
WF_Score (%)	8364	73.38	21.99	1.21	99.99
C_Score (%)	8364	63.70	28.16	0.00	99.99
HR_Score (%)	8364	49.21	35.32	0.00	99.53
PR_Score (%)	8364	55.82	31.19	0.00	99.90
BNDIV (%)	8364	26.40	21.51	0.00	100.00
BGDIV (%)	8364	23.76	14.13	0.00	75.00
IND_REMCO (%)	8364	81.053	24.44	0.00	100.00
BTENURE (years)	8364	6.80	3.01	0.00	26.22
BIND (%)	8364	62.11	22.44	0.00	100.00
CEO_DUAL	8364	0.27	0.45	0.00	1.00

SD, standard deviation; SRP, social score; WF, Workforce; HR, Human rights; C, Community; PR, product responsibility; SGAP, salary gap; GPGAP, gender pay gap; BNDIV, board nationality diversity; BGDIV, board gender diversity; BTENURE, board tenure; BIND, board independence; IND_REMCO, remuneration committee independence; CEO_DUAL, CEO duality; Min., minimum; Max., maximum.

values of 26.40% and 23.76%, which indicate moderate diversity across firms but reveal room for improvement. Corporate governance indicators show that board independence averages 62.11%, which suggests that most firms maintain a majority of independent board members. Remuneration committee independence has a mean of 81.05%, which indicates that remuneration governance structures are largely independent. Board tenure has a mean of 6.8 years, which reflects relatively stable board leadership. Lastly, CEO duality has a mean of 0.27, which indicates that in approximately 27% of firms, the CEO also serves as the board chairperson, a factor that could have significant implications for corporate governance and decision-making dynamics. These descriptive insights provide an overview of the key study variables and their distribution across firms and set the foundation for further analysis.

The two-decade coverage of the dataset coincides with significant global developments in executive compensation disclosure, gender pay transparency and ESG reporting frameworks. Descriptive inspection of the data indicates that both salary and gender pay gap exhibit gradual moderation over time, consistent with heightened regulatory scrutiny and stakeholder activism in many jurisdictions. Concurrently, average SRP scores demonstrate an upward trajectory, reflecting the increasing institutionalisation of ESG reporting standards.

These parallel trends suggest that while structural inequality may have been more pronounced in the early years of the sample, SRP has progressively become more embedded within corporate governance frameworks. The regression results, which incorporate time controls, therefore capture associations net of these broader temporal shifts.

Correlation analysis results

Table 3 presents the Pearson correlation coefficients among the independent, dependent and control variables. The analysis revealed key relationships between variables. A weak but statistically significant positive correlation (0.053) exists between salary gap and gender pay gap, which suggests that firms with high salary gaps do not necessarily exhibit gender pay disparities. As expected, board independence and remuneration committee independence showed a strong positive correlation (0.673), which indicates that firms with independent boards are more likely to establish independent remuneration committees. Also, as expected, Table 3 shows a strong positive correlation between SRP and its four sub-components (WF_Score, C_Score, HR_Score and PR_Score). Conversely, the correlation between board nationality diversity and board gender diversity is near zero (−0.012), which suggests that the two dimensions of diversity do not necessarily coexist in firms. For multiple regression models, it is essential to ensure the absence of multicollinearity among independent, dependent and control variables. As shown in Table 3, all correlation coefficients are well below the 0.8 threshold, which mitigates concerns of serious multicollinearity (Siavoshi 2024). Additionally, the VIF values are all far below the commonly accepted threshold of 5, which confirms the absence of significant multicollinearity among the variables.

Regression results

Table 4 presents the baseline regression results for Model 1 and Model 2, which examined the direct effects of salary gap and gender pay gap on SRP.

The results indicate that the salary gap has a positive and statistically significant effect on SRP at the 1% level, thus supporting H_1. This finding suggests that firms that exhibit greater disparities between executive and employee remuneration tend to demonstrate enhanced SRP. Similarly, the gender pay gap is positively associated with SRP at the 10% level, thereby supporting H_2 and implying that firms with larger gender pay gaps report more favourable social responsibility outcomes. The baseline model accounted for 37.1% of the variance in SRP for the salary gap and 8.6% for the gender pay gap, which

TABLE 3: Correlation matrix.

#	Variable	1	2	3	4	5	6	7	8	9	10	11	12	13
1	SRP	1.00	-	-	-	-	-	-	-	-	-	-	-	-
2	WF_Score	0.75***	1.00	-	-	-	-	-	-	-	-	-	-	-
3	C_Score	0.69***	0.37***	1.00	-	-	-	-	-	-	-	-	-	-
4	HR_Score	0.80***	0.50***	0.41***	1.00	-	-	-	-	-	-	-	-	-
5	PR_Score	0.66***	0.42***	0.28***	0.39***	1.00	-	-	-	-	-	-	-	-
6	SGAP	0.04***	-0.02	0.07***	0.02*	0.03***	1.00	-	-	-	-	-	-	-
7	GPGAP	0.20***	0.19***	0.19***	0.05	0.14***	0.05*	1.00	-	-	-	-	-	-
8	BIND	0.18***	0.07***	0.30***	0.13***	0.03***	0.07***	0.03	1.00	-	-	-	-	-
9	IND_REMCO	0.04***	-0.01	0.17***	0.01	-0.05***	0.05***	-0.06*	0.67***	1.00	-	-	-	-
10	BNDIV	0.04***	0.01	0.00	0.10***	0.02*	0.00	-0.06**	0.09***	0.05***	1.00	-	-	-
11	BGDIV	0.37***	0.29***	0.18***	0.38***	0.24***	-0.06***	-0.01	0.18***	0.01	-0.01	1.00	-	-
12	BTENURE	-0.06***	-0.10***	0.04***	-0.10***	-0.01	0.08***	0.10***	-0.03***	-0.03***	-0.12***	-0.13***	1.00	-
13	CEO_DUAL	0.01	0.00	0.04***	-0.04***	0.06***	0.11***	0.09***	-0.05***	-0.04***	-0.05***	-0.04***	0.27***	1.00

Note: Levels of significance at the 1%, 5% and 10% levels respectively.

SRP, social score; WF, workforce; HR, human rights; C, community; PR, product responsibility; SGAP, salary gap; GPGAP, gender pay gap; BNDIV, board nationality diversity; BGDIV, board gender diversity; BTENURE, board tenure; BIND, board independence; IND_REMCO, remuneration committee independence; CEO_DUAL, CEO duality; #, number.

***, $p < 0.01$; **, $p < 0.05$; *, $p < 0.1$.

indicates moderate explanatory power for the salary gap model and comparatively weaker explanatory power for the gender pay gap model. Although this study did not aim to develop a model that optimally explains variations in SRP, the R^2 values, which range from 8.6% to 37.1%, are consistent with previous research on the impact of governance mechanisms. For example, Zhang et al. (2020) reported adjusted R^2 values ranging from 5.8% to 14.9% in their investigation of corporate employment decision-making in the American market.

Table 5 presents the results of the moderation analysis for Models 3 and 4, which examined whether board diversity moderates the relationship between pay gaps and SRP.

The findings indicate that the interaction term (SGAP*BNDIV) is not statistically significant, which suggests that board nationality diversity does not moderate the relationship between salary gap and SRP, which led to the rejection of H_3. Similarly, the interaction term (GPGAP*BGDIV) is also not significant, which indicates that board gender diversity does not moderate the relationship between gender pay gap and SRP, which resulted in the rejection of H_4. Despite the absence of significant moderation effects, the main effects of salary gap on SRP remain positive and statistically significant and reinforce the notion that pay disparities are linked to enhanced SRP. The moderation model explains 37.1% of the variance in SRP for the salary gap and 8.7% for the gender pay gap, which confirms that the salary gap model possesses greater explanatory power, while the gender pay gap model remains relatively weak. Although the lower R^2 value for the gender pay gap restricted the explanatory power of the model, the focus of the study remained on the statistical significance and moderating effects of board gender diversity.

TABLE 4: Regression analyses results: The relationship between pay gaps and social responsibility performance.

Variable	SRP	
	SGAP Model	GPGAP Model
SGAP	0.001***	-
GPGAP	-	0.061*
BIND	0.024*	0.101***
BTENURE	0.689***	0.312
COE_DUAL	-0.067	0.704
IND_REMCO	0.005	-0.023
BGDIV	0.053***	-0.036
BNDIV	-0.008	0.012
Firm fixed	Yes	Yes
Year fixed	Yes	Yes
N	8364	1108
R^2	0.371	0.086

Note: The BPG test was used to assess heteroskedasticity.

SRP, social responsibility performance; SGAP, salary gap; GPGAP, gender pay gap; BNDIV, board nationality diversity; BGDIV, board gender diversity; BTENURE, board tenure; BIND, board independence; IND_REMCO, remuneration committee independence; CEO_DUAL, CEO duality.

*, Significance at 10% level; **, Significance at 5% level; ***, Significance at 1% level.

TABLE 5: Regression analyses results: Moderating effect of board diversity on social responsibility performance.

Variable	SRP	
	SGAP-BNDIV Interaction	GPGAP-BGDIV Interaction
SGAP	0.001*	-
GPGAP	-	0.069
BIND	0.024*	0.101***
BTENURE	0.689***	0.315
COE_DUAL	-0.066	0.712
IND_REMCO	0.005	-0.023
BGDIV	0.053***	-0.014
BNDIV	-0.008	0.021
SGAP*BNDIV	0.000	-
GPGAP*BGDIV	-	-0.000
Firm fixed	Yes	Yes
Year fixed	Yes	Yes
N	8364	1469
R^2	0.371	0.087

Note: The BPG test was used to assess heteroskedasticity.

SRP, social responsibility performance; SGAP, salary gap; GPGAP, gender pay gap; BNDIV, board nationality diversity; BGDIV, board gender diversity; BTENURE, board tenure; BIND, board independence; IND_REMCO, remuneration committee independence; CEO_DUAL, CEO duality.

*, Significance at 10% level; **, Significance at 5% level; ***, Significance at 1% level.

These findings yield important insights into corporate governance, executive compensation and social responsibility. The positive association between pay disparities and SRP suggests that firms with substantial salary and gender pay gaps may engage more actively in social responsibility initiatives or reporting, potentially as a legitimacy-restoration strategy aimed at mitigating negative perceptions associated with internal inequality (Huang & Wang 2022). This interpretation aligns with symbolic legitimacy theory, whereby organisations respond to reputational threats through visible social engagement and disclosure rather than necessarily addressing the underlying structural drivers of inequality. Board independence and board gender diversity play significant roles in enhancing SRP, which reinforces the need for strong governance mechanisms, thus confirming the findings of Paolone et al. (2025). However, board nationality diversity does not exhibit a significant direct or moderating effect on SRP, which indicates that nationality diversity alone may not be sufficient to drive social responsibility efforts. The absence of significant moderating effects contrasts with previous findings by Peng et al. (2021), Hartmann and Carmenate (2021), and Martiny et al. (2024), namely that the relationship between pay gaps and SRP remains largely unaffected by board diversity. These findings highlight the complex interplay between executive pay structures, governance mechanisms and social responsibility commitments and thus provide valuable insight into the intersection of corporate governance dynamics and sustainability efforts.

An important interpretive consideration relates to the internal structure of the Refinitiv Social Pillar Score. Under the Workforce dimension, Refinitiv includes diversity and inclusion indicators such as the percentage of women employees, equal opportunity policies and gender-related workforce disclosures. It also incorporates working conditions metrics, including trade union representation and employee protection mechanisms. This raises nuanced interpretative questions regarding the relationship between gender pay gaps, board gender diversity and SRP.

For instance, a lower gender pay gap may reflect stronger diversity and inclusion practices and greater female representation in the workforce, which would likely improve Workforce scores. Similarly, firms with more gender-diverse boards may be more inclined to promote inclusive employment practices, work-life balance initiatives, parental leave policies and flexible working arrangements – factors that could enhance the underlying Workforce indicators. Conversely, larger internal pay disparities could signal weaker collective bargaining structures or lower union representation, potentially affecting conditions metrics negatively.

However, the empirical findings indicate a positive association between pay gaps and SRP, suggesting that firms with greater internal disparities may strategically intensify visible social responsibility initiatives, particularly those captured in community engagement or human rights dimensions, as reputational or legitimacy-enhancing mechanisms. This interpretation is reinforced by the sub-component analysis, which shows heterogeneous effects across SRP dimensions rather than uniform improvements in Workforce-related outcomes. Therefore, the positive aggregate association should not be interpreted as evidence that pay inequality directly improves employee-level social conditions; rather, it may reflect strategic corporate social responsibility deployment within a multidimensional scoring framework.

Sectoral context likely plays an important conditioning role in the pay gap–SRP relationship. Compensation dispersion, workforce gender composition and diversity norms differ substantially between extractive industries and service-oriented sectors. For example, extractive industries often operate with historically male-dominant workforces and hierarchical pay structures, while service sectors may exhibit greater workforce gender diversity and stronger alignment between internal equity and social responsibility initiatives. Although the present study does not disaggregate regression models by industry groups, these structural differences provide important contextual nuance for interpreting the findings and warrant further sector-specific investigation.

While the present study examines the aggregate relationship across the full two-decade period, it is plausible that the strength and direction of the pay gap-SRP association evolved over time. Earlier years of the sample coincide with comparatively weaker ESG disclosure mandates and less institutionalised gender pay transparency regimes. In later years, increasing regulatory intervention and stakeholder scrutiny may have intensified legitimacy pressures associated with internal equity. Consequently, the mechanisms linking pay disparities and SRP may have shifted from relatively muted reputational concerns in the early 2000s to more strategically salient legitimacy management dynamics in the 2010s. A formal decade-based structural break analysis represents a valuable extension for future research.

Robustness checks

Two robustness tests were conducted to assess the reliability and consistency of the main findings. Firstly, the dataset was divided into categories of developed and developing markets to examine potential variations in the relationship between pay gaps and SRP in order to assess the sensitivity of the main findings to different market contexts. Secondly, SRP was disaggregated into its four sub-categories to determine whether pay gaps affect specific aspects of the social pillar differently.

Market status split: Developed versus developing economies

To determine whether the impact of salary gaps and gender pay gaps on SRP is sensitive to a firm's economic environment (Cai et al. 2016; Cassely et al. 2021), Regression Models 3 and 4 were re-estimated separately for firms operating in developed and developing markets. Table 6 presents the regression results.

The results indicate significant variations between the two market categories. In developed markets, the salary gap remains positively associated with SRP, whereas in developing markets, the effect is statistically insignificant. Conversely, the gender pay gap exhibits a strong positive independent effect in developed markets, in contrast to developing markets, where it is negative but insignificant. This suggests that firms in developed economies are more likely to leverage social responsibility initiatives as a strategic response to pay disparities, while those in developing markets demonstrate weaker associations.

Differences between developed and developing economy contexts further shape the interpretation of the results. In developed markets, executive compensation disclosure requirements, gender pay transparency regulations and

TABLE 6: Regression results: Market-based moderating effect of board diversity on social responsibility performance.

Variable	SRP			
	Developing		Developed	
	SGAP Model	GPGAP Model	SGAP Model	GPGAP Model
SGAP	0.000	-	0.001*	-
GPGAP	-	-0.071	-	0.166**
BIND	0.067	0.125	0.017	0.105***
BTENURE	0.159	0.361	0.742***	0.374*
COE_DUAL	0.850	4.796	-0.172	-0.075
IND_REMCO	-0.043*	-0.041	0.014	-0.039
BGDIV	0.078	-0.640	0.047***	0.268
BNDIV	-0.028	0.041	0.742***	-0.022
SGAP*BNDIV	0.000	-	0.000	-
GPGAP*BGDIV	-	0.004	-	-0.003
Firm fixed	Yes	Yes	Yes	Yes
Year fixed	Yes	Yes	Yes	Yes
N	957	137	7407	1332
R^2	0.360	0.306	0.376	0.081

Note: The BPG test was used to assess heteroskedasticity.

SRP, social responsibility performance; SGAP, salary gap; GPGAP, gender pay gap; BNDIV, board nationality diversity; BGDIV, board gender diversity; BTENURE, board tenure; BIND, board independence; IND_REMCO, remuneration committee independence; CEO_DUAL, CEO duality.

*, Significance at 10% level; **, Significance at 5% level; ***, Significance at 1% level.

stakeholder activism are typically more institutionalised, potentially intensifying legitimacy pressures associated with pay disparities. In contrast, in developing economies, regulatory enforcement may influence compensation structures differently. The cross-context design of the study captures these institutional contracts at an aggregate level; however, more granular comparative modelling of pay gap magnitudes across contexts represents an important direction for future research.

Granular analysis of social responsibility performance sub-components

To further investigate the sensitivity of the results, SRP was disaggregated into its four sub-components: WF_Score, C_Score, HR_Score and PR_Score (Table 7). Separate regressions were estimated using each dimension as the dependent variable. Consequently, the following linear models (Equation 5 and Equation 6) were specified:

$$SRP_Dim_{it} = \beta_0 + \beta_1 SGAP_{it} + \beta_2 BNDIV + \beta_3 \left(SGAP_{it} * BNDIV_{it}\right) + \sum_{k=1}^{6} \delta_k Control_{it} + Ind_i + Year_t + \varepsilon_{it} \quad \text{[Eqn 5]}$$

$$SRP_Dim_{it} = \beta_0 + \beta_1 GPGAP_{it} + \beta_2 BGDIV + \beta_3 \left(GPGAP_{it} * BGDIV_{it}\right) + \sum_{k=1}^{6} \delta_k Control_{it} + Ind_i + Year_t + \varepsilon_i \quad \text{[Eqn 6]}$$

where SRP_Dim_{it} represents the social pillar 'S' dimensions, proxied by its four dimensions of WF_Score, C_Score, HR_Score and PR_Score, as detailed earlier. All the variables were defined in Table 1.

The findings indicate that the salary gap is positively and significantly associated with C_Score and HR_Score, while no statistically significant association is observed with WF_Score or PR_Score. The gender pay gap exhibits a positive and statistically significant association with PR_Score, which suggests that gender pay disparities may drive firms to enhance their product responsibility efforts. Board independence and board tenure consistently enhance all four dimensions of SRP, which reinforces their roles as governance mechanisms in strengthening firms' social responsibility. The moderating effect of board nationality diversity (SGAP*BNDIV) is significantly positive for WF_Score at the 5% level but negative for C_Score at the 10% level, which suggests that nationality diversity may enhance or weaken specific social responsibility outcomes depending on the focus area. The interaction effect of board gender diversity (GPGAP*BGDIV) is positive for WF_Score at the 10% level, which implies that gender-diverse boards may mitigate the influence of gender pay disparities on employee welfare commitments.

Given that SRP subcomponents represent composite indices incorporating multiple underlying indicators (e.g., union representation, diversity metrics, human rights policies), the observed associations should not be interpreted as indicating that higher pay disparities directly improve any specific workforce attribute. Rather, they reflect aggregate statistical relationships at the index level.

Interpreted through an agency lens, the positive association between pay gaps and certain SRP dimensions may reflect incentive-driven strategic engagement in social initiatives. However, when viewed through legitimacy theory, these findings are equally consistent with symbolic or reputational responses to inequality-related scrutiny. The absence of uniform associations across all SRP subcomponents suggests that stakeholder responsiveness may not be comprehensive, reinforcing the possibility of selective legitimacy management. These interpretations illustrate the value of a multi-theoretical framework.

Overall, these robustness tests confirm the stability of the main findings while highlighting important contextual aspects. The stronger effects observed in developed markets suggest that SRP responses to pay gaps are more pronounced in regulatory environments characterised by greater transparency and stakeholder pressure. Meanwhile, the sub-component analysis revealed that the relationship between pay disparities and SRP is not uniform across all aspects of social responsibility, which indicates the need for firms to adopt targeted strategies based on their specific social responsibility priorities. These insights contribute to a more refined understanding of the pay gap-SRP nexus and its implications for global corporate governance.

Conclusion

The study provides important insights into the intrinsic relationship between pay disparities, board diversity and SRP, using a global dataset spanning two decades. The findings revealed that both salary gaps and gender pay gaps positively influence SRP, which suggests that firms with higher pay disparities tend to engage more in social responsibility initiatives. These results support the notion that firms may strategically leverage social responsibility efforts to mitigate reputational risks associated with income inequality. However, the robustness tests indicated that this relationship varies across different market environments or SRP dimensions, which offers deeper insight into social responsibility practices.

Market-based robustness tests highlight that the positive effects of salary and gender pay gaps on SRP are more pronounced in developed markets, whereas these relationships appear weaker or insignificant in developing markets. This suggests that firms in developed economies may be more responsive to regulatory pressures and stakeholder expectations regarding executive compensation and social responsibility. A more granular analysis of SRP sub-components further revealed that pay disparities do not uniformly impact all facets of social responsibility. Salary gaps are positively associated with human rights performance and community engagement

TABLE 7: Regression results indicating the moderating effect of board diversity on the relationship between pay gaps and social responsibility performance dimensions.

Variable	SRP_Dem							
	WF_Score		C_Score		HR_Score		PR_Score	
	SGAP	GPGAP	SGAP	GPGAP	SGAP	GPGAP	SGAP	GPGAP
SGAP	-0.001	-	0.002**	-	0.004***	-	0.001	-
GPGAP	-	-0.140	-	0.114	-	-0.039	-	0.338**
BIND	0.017	0.061*	0.038*	0.087*	0.031	0.114*	0.018	0.097*
BTENURE	0.654***	0.351	0.526***	0.424	0.607***	0.440	1.071***	0.501
COE_DUAL	0.493	-0.789	-0.753	-2.438	-0.391	2.243	0.507	1.142
IND_REMCO	-0.019	-0.017	0.013	0.018	0.030	-0.078	-0.006	0.019
BGDIV	0.042**	-0.403	0.072***	0.290	0.071**	-0.414	-0.009	0.427
BNDIV	0.000	-0.015	0.017	-0.059	-0.004	0.0115**	0.000	-0.018
SGAP*BNDIV	0.000**	-	-0.000*	-	0.000	-	0.000	-
GPGAP*BGDIV	-	0.006*	-	-0.004	-	0.004	-	-0.005
Firm fixed	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	8364	1108	8364	1108	8364	1108	8364	1108
R^2	0.108	0.026	0.154	0.026	0.350	0.107	0.15	0.033

Note: The BPG test was used to assess heteroskedasticity.

SRP, social score; WF, workforce; HR, human rights; C, community; PR, product responsibility, SRP, social responsibility performance; SGAP, salary gap; GPGAP, gender pay gap; BNDIV, board nationality diversity; BGDIV, board gender diversity; BTENURE, board tenure; BIND, board independence; IND_REMCO, remuneration committee independence; CEO_DUAL, CEO duality.

*, Significance at 10% level; **, Significance at 5% level; ***, Significance at 1% level.

initiatives but show no statistically significant association with workforce well-being or product responsibility. Similarly, gender pay gaps are strongly associated with improvements in product responsibility performance but do not consistently enhance other dimensions of SRP.

Board diversity, often regarded as a key governance mechanism, exhibits mixed moderating effects. The nationality diversity of boards enhances workforce-related SRP but weakens community engagement performance, which suggests that diverse perspectives may introduce varying strategic priorities. Similarly, gender diversity appears to temper the negative effects of gender pay disparities on employee welfare commitments, which indicates that gender-diverse boards may adopt more cautious approaches in addressing equity concerns. These findings challenge the assumption that diversity uniformly enhances corporate social responsibility and suggest the need for complementary governance mechanisms to fully realise the potential benefits of board diversity.

The findings contribute to the growing discourse on corporate governance and ESG performance in several ways. Firstly, they extend the literature on the social pillar of ESG by demonstrating that compensation structures, traditionally viewed through the lens of financial performance, also play a crucial role in shaping a firm's social responsibility engagements. Secondly, they challenge the widely held assumption that board diversity inherently strengthens governance mechanisms related to social responsibility. While previous research suggests that diverse boards promote ethical oversight and stakeholder inclusivity, the results of this study indicate that diversity alone may not be sufficient to moderate the relationship between pay structures and SRP.

From a policy and managerial perspective, these findings carry significant implications. Regulators and corporate leaders must recognise that while pay transparency and executive remuneration policies can influence social responsibility outcomes, board diversity policies may require complementary governance mechanisms to enhance their effectiveness. Simply increasing diversity without addressing structural barriers to inclusive decision-making may not yield the expected governance improvements. Firms should consider integrating diversity initiatives into broader governance frameworks to maximise their impact on social responsibility. Additionally, regulatory bodies, particularly in developing markets, may need to strengthen corporate transparency requirements to encourage more effective social responsibility initiatives in response to pay disparities.

Despite its contributions, this study was not without limitations. While comprehensive, the dataset may not fully capture industry-specific variations in pay structures and social responsibility policies. Additionally, the study relied on ESG-social scores as a proxy for SRP, which, while widely used, may not fully encapsulate a firm's actual social impact. Future research could explore alternative measures of SRP and examine whether different dimensions of board diversity, such as educational, background, generational or cognitive diversity, affect the pay–SRP relationship.

An additional limitation relates to the operationalisation of board diversity. The measure referred to as board nationality diversity captures whether directors originate from countries different from the firm's headquarters location. While nationality diversity may reflect heterogeneous institutional experience and governance exposure, it does not capture deeper cultural, ethnic or socio-demographic diversity within countries. Future research could employ more granular measures of cultural or cognitive diversity to better isolate the role of heterogeneous perspectives in shaping SRP.

The findings are particularly consistent with symbolic legitimacy interpretation. While agency and stakeholder theories suggest that compensation structures may influence

strategic decision-making in ways that enhance stakeholder value, the positive association between pay disparities and SRP observed in this study indicates that firms with greater internal inequality may intensify social responsibility efforts as a reputational buffering mechanism; in this sense, SRP may function as an instrument for managing external perceptions of fairness and ethical conduct. This distinction is important, as it suggests that improvements in aggregate social scores do not necessarily imply reductions in internal inequality or enhanced employee welfare.

Overall, this study highlights the complex interplay between executive compensation, corporate governance and social responsibility. While pay gaps exhibit a positive association with SRP, board diversity does not moderate this relationship in a uniform manner. These findings indicate that the relationship between board diversity and SRP is not universally uniform, but rather conditioned by institutional, economic and sectoral contexts.

Future research could extend this study by conducting detailed sector-level analyses to examine whether the pay gap–SRP relationship varies systematically across industry groups. Similarly, more granular comparative modelling between developed and developing economies could assess whether institutional regulation, labour protections and stakeholder activism moderate the magnitude of observed pay disparities. Such analyses would deepen understanding of how structural and institutional factors condition ESG dynamics.

Future research could also extend the current analysis by conducting sub-period estimators or structural break tests to assess whether the pay gap–SRP relationship strengthened or weakened across decades. Such temporal disaggregation would provide insight into whether evolving ESG regulation and stakeholder activism materially altered corporate behavioural responses to compensation inequality.

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Moses Jachi: Conceptualisation, Methodology, Writing – original draft, Writing – review & editing. Juan M. Ontong: Conceptualisation, Formal analysis, Methodology. Lynn van Rooyen: Conceptualisation, Writing – review & editing. All authors reviewed the article, contributed to the discussion of results, approved the final version for submission and publication, and take responsibility for the integrity of its findings.

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