International Journal of Accounting and Economics Studies, 12 (4) (2025) 158-165

International Journal of Accounting and Economics Studies

Website: www.sciencepubco.com/index.php/IJAES
https://doi.org/10.14419/ttnxp415
Research paper

The Effect of Communication with Those Charged with Governance on ESG Performance, Focusing on Female Directors on The Board

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Received: June 18, 2025, Accepted: July 23, 2025, Published: August 5, 2025

Abstract

This study examines the relationship between communication with those charged with governance and ESG performance. Communication with those charged with governance, which refers to formal interactions between external auditors and governance structures, has become increasingly significant in recent years due to heightened regulatory expectations. This trend is driven by regulatory efforts to strengthen disclosure requirements, aiming to enhance accounting transparency. Using data from Korean firms (2019-2020), the empirical results show that more frequent communication with those charged with governance improves ESG performance. Such interactions promote internal governance effectiveness, which in turn supports long-term sustainability. In addition, the presence of female board directors strengthens the positive relationship between governance communication and ESG outcomes, emphasizing the value of board diversity.

Keywords: *Communication with Those Charged with Governance; ESG Performance; Female Directors on the Board.*

1. Introduction

This study empirically investigates how communication between external auditors and those charged with governance affects corporate Environmental, Social, Governance (ESG) performance. It also examines whether the presence of female directors moderates this relationship. Since 2014, Korea's External Audit Act has required firms to disclose the frequency of communication with those charged with governance (KICPA, 2023). This mandate aims to strengthen monitoring functions and enhance accounting transparency (Hong and Kim, 2021). The New External Audit Act of 2018 further emphasizes corporate governance by strengthening internal monitoring mechanisms and aiming to prevent accounting fraud, thereby enhancing audit quality and the reliability of financial reporting. Communication with those charged with governance is mandated throughout all stages of the audit, from the initial engagement stage to the completion of final reporting (Kim and Ki, 2020). Thus, this communication functions as a substantive monitoring mechanism, not just a formal requirement. Previous research has primarily focused on the relationship between governance characteristics, such as independence and meeting frequency, and financial outcomes (Maraghni and Nekhili 2014; Park 2021). There has been limited research evaluating whether communication with those charged with governance achieves its intended regulatory objectives or aligns with legal standards. While prior studies have examined these interactions, they mainly focus on financial outcomes (Kim and Kim, 2020; Hong and Kim, 2021; Kim and Hong, 2021). However, given the rising importance of non-financial outcomes, particularly ESG performance, this study examines how communication with those charged with governance influences such sustainability-related metrics.

Non-financial information is often perceived as more reliable than financial data due to its external sourcing from independent entities, which reduces susceptibility to earnings manipulation or accounting fraud (Brazel et al., 2009). This perspective is reinforced by Gamerschlag (2013) and Bianchi et al. (2014), who argue that non-financial disclosures offer critical insights into organizational value creation and are essential for driving sustainable corporate growth. Beyond complementing traditional financial metrics, such information provides stakeholders with a broader lens to evaluate corporate health, fostering long-term resilience and aligning with evolving market expectations around sustainability.

Analysis of Korean listed firms from 2019 to 2020 indicates that more frequent communication with those charged with governance significantly improves ESG performance. This study further establishes that the presence of female directors on the board creates a significant moderating effect, strengthening the positive relationship between governance communication and ESG performance. Female directors' prudent approach to risk management and diverse perspectives enhance the effectiveness of governance communication in promoting sustainable business practices.

This study contributes to the literature by empirically demonstrating that communication between external auditors and those charged with governance positively influences corporate ESG performance, an area previously underexplored compared to financial outcomes. Furthermore, by highlighting the moderating effect of female directors on this relationship, the research underscores the importance of board diversity in enhancing the effectiveness of governance communication for sustainable business practices. These findings offer practical

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implications for policymakers and firms seeking to strengthen non-financial performance through improved governance structures and a more gender-diverse board composition.

The remainder of the paper proceeds as follows. The second section presents the theoretical background and the development of hypotheses. Section 3 outlines the methodology, and Section 4 discusses the empirical results. Section 5 presents the discussion, and section 6 concludes the study.

2. Theoretical background and hypothesis development

2.1. communication with those charged with governance

In 2014, the amendment of the External Audit Act in Korea marked a significant step toward enhancing the transparency of the accounting system and the independence of external auditors. The reform introduced mandatory disclosure of external audit procedures, including the frequency of communication with those charged with governance, in audit reports. In 2018, the disclosure scope was expanded to include meeting participation and discussion content. These changes further enhanced accounting transparency and monitoring effectiveness (Lee et al., 2021).

According to the Korean Institute of Certified Public Accountants' 2018 guidelines on audit practices, the primary counterparts for communication with external auditors are the audit committee or statutory auditor (KICPA, 2018). Such communication with those charged with governance alleviates agency costs and lowers information asymmetry (Ashbaugh-Skaife et al., 2006; Kim and Hong, 2022). As a result, it may also enhance firms' credit ratings (Kim and Hong, 2023). This interaction is mutually beneficial. Governance bodies can better understand accounting risks through auditors' knowledge and planning. Meanwhile, external auditors can strengthen their perceived value and increase the likelihood of reengagement through effective communication (Kim and Kim, 2020).

KICPA guidelines recommend maintaining communication at all stages of the audit, including each engagement, planning, execution, and completion phase (KICPA, 2018). In particular, discussions regarding key audit matters, possible fraud, and significant issues where there is disagreement with management are regarded as critical activities that determine audit quality (Kim and Kim, 2020; Park and Shim, 2024). In other words, communication with governance bodies enables auditors to identify audit risks throughout the audit process. While numerous studies have examined auditors and governance bodies separately, empirical research specifically addressing the communication between external auditors and those charged with governance remains limited.

Existing literature suggests that effective communication with governance bodies generates positive outcomes, such as improved oversight, enhanced transparency, and strengthened corporate governance. For instance, Kim and Kim (2020) found that a higher frequency of communication is associated with improved audit quality. Hong et al. (2022) also reported a significant positive correlation between the communication frequency and audit quality. Cho et al. (2024) highlighted that during the COVID-19 pandemic, the shift to online meetings adversely affected audit quality, underscoring the importance of direct interaction. Furthermore, Kim and Hong (2021) found that face-to-face communication positively affects the earnings response coefficient (ERC), a proxy for information usefulness. Such interactions deepen auditors' understanding and improve the quality of financial disclosures.

In addition to audit quality, communication with governance bodies plays a critical role in detecting fraud and reinforcing oversight functions. Lee et al. (2021) showed that frequent communication enhances the detection of fraud, embezzlement, and breach of trust, particularly among Big 4 audit firms. Park (2024) found that companies experiencing accounting fraud or irregularities exhibited higher frequencies of communication with external auditors, especially through face-to-face meetings. Taken together, these findings highlight that such communication strengthens audit effectiveness and transparency through substantive engagement.

2.2. ESG activities

The global spread of COVID-19 has intensified focus on sustainability across industry, academia, and regulatory bodies, elevating corporate ESG activities to unprecedented prominence. While discussions on sustainable management occurred intermittently before the pandemic, the crisis catalyzed the institutionalization of ESG practices. With the Korean New Deal policy in 2020, which emphasizes a shift toward an eco-friendly, low-carbon society, the European Commission proposed a mandatory ESG due diligence across supply chains in 2022. It requires corporations to identify, report, and remediate environmental and human rights violations across supply chains.

As ESG becomes more embedded in business strategy and public policy, an increasing body of research has turned attention to the quality and reliability of ESG measurement itself. Given that ESG performance is now a key consideration in both corporate decision-making and investor evaluations, concerns about the consistency and objectivity of ESG metrics have gained prominence.

Berg et al. (2023) refer to the phenomenon of variations in ESG assessments across rating agencies as ESG rating divergence, and identify three primary sources of divergence, namely as scope, weight, and measurement. This study finds that measurement differences account for the largest share of inconsistency, primarily due to a lack of consensus over the underlying data used by different rating agencies. This misalignment in data inputs results in significant inconsistencies in how ESG factors are ultimately evaluated.

In the Korean context, recent studies have also drawn attention to the reliability issues surrounding ESG ratings across different agencies. Lee et al. (2024), in a comparative analysis of ESG scores from multiple global (e.g., Refinitive, MSCI) and domestic (e.g., KCGS) rating providers, find that ratings for the same firm often differ substantially, particularly in the governance dimension. The divergence stems from heterogeneous evaluation frameworks, indicator selections, and weightings applied by each agency. Such inconsistencies may compromise the comparability and objectivity of ESG scores, raising concerns about their credibility as performance indicators. While KCSG ratings are considered methodologically transparent and are aligned with global standards such as the Global Reporting Initiative (GRI), they are not entirely immune to subjectivity and indicator limitations. Therefore, in this study, KCGS ESG scores are employed as the primary measure of ESG performance, given their methodological transparency and general alignment with international standards such as the GRI.

Given these considerations, the theoretical underpinnings of ESG can be further understood through the lens of the resource-based view, which emphasizes the strategic value created by unique and inimitable organizational resources (Hart, 1995). Within this framework, ESG-related capabilities, such as ethical governance, environmental innovation, and social responsibility, are conceptualized as intangible assets that can differentiate firms and enhance long-term performance (McWilliams and Siegel, 2011; Clarkson et al., 2011). Jones (1995) posits that ethical conduct enables firms to cultivate enduring, mutually beneficial relationships with stakeholders, thereby reinforcing organizational resilience and market position. Russo and Fouts (1997) argue that superior environmental performance can function as a strategic asset that drives competitive advantage.

The theoretical rationale is supported by empirical evidence. A broad set of studies has confirmed the positive association between ESG initiatives and firm performance. Ben Brik et al. (2011) and Lourenço et al. (2014) report positive associations between social and environmental initiatives and financial outcomes, with particular emphasis on the role of green innovation and corporate reputation. For example, investments in resource-efficient technologies have been shown to yield cost savings and regulatory benefits, which can translate into sustained profitability. The COVID-19 crisis has provided additional evidence of the value of ESG, finding that firms with higher ESG ratings demonstrated greater stability in market valuation and lower volatility relative to their peers (Albuquerque et al., 2020; Broadstock et al., 2021). This resilience has been attributed to strong stakeholder trust and reputational capital, which can buffer firms against external shocks and support recovery (Zhou and Zhou, 2022). Moreover, organizations that align their objectives with broader societal interests and maintain proactive stakeholder engagement have been found to experience less pronounced declines in stock prices during periods of disruption (Flammer, 2015).

Taken together, these theoretical and empirical insights suggest that ESG is not merely a matter of regulatory compliance or corporate image management, but a foundational element of sustainable value creation and long-term strategic positioning in an increasingly uncertain global environment.

2.3. Hypothesis development

The hypothesized relationship between communication with those charged with governance and ESG performance is grounded in agency theory, the resource-based view (McWilliams and Siegel, 2011), and sustainability outcomes. Agency theory posits that effective communication between external auditors and governance bodies reduces information asymmetry and better aligns managerial actions with stakeholder interests (Jensen and Meckling, 1976). This mechanism extends to ESG oversight, as audit committees increasingly prioritize sustainability-related risks in their responsibilities (Kim and Kim, 2020). The resource-based view further complements this by framing ESG capabilities as intangible assets that contribute to competitive advantage (Hart, 1995). Through structured dialogues with auditors, governance bodies gain insights into material ESG risks. This enables more strategic resource allocation toward sustainability initiatives (Russo and Fouts, 1997; Lee et al., 2021).

Empirical studies explain the connection between governance communication and ESG outcomes. First, auditors' identification of operational risks during meetings prompts governance bodies to internalize ESG-related threats, which in turn encourages changes in disclosure practices and reallocation of investment priorities. Second, communication enhances accountability and board liability for ESG inaction. Kim and Hong (2021) found that direct auditor-governance interactions elevate the earnings response coefficient, encouraging firms to pursue sustainability initiatives that preserve reputation.

Additionally, given its role in enhancing oversight and risk management, it is plausible to posit that such communication may also promote engagement in ESG activities. Enhanced dialogue facilitates awareness, resource allocation, and strategic integration of ESG considerations into corporate governance and decision-making processes. Consequently, companies that prioritize frequent communication tend to adopt ESG initiatives more effectively, leveraging them as strategic assets for long-term value creation. Accordingly, based on this logic, the following hypothesis is established.

Hypothesis 1: Communication with governance, with those charged positively, influences ESG performance.

The moderating role of female directors in the governance communication-ESG relationship draws on upper echelons theory (Hambrick and Mason, 1984). Studies examining the role of female directors on corporate boards have consistently demonstrated that female directors bring distinct perspectives and cognitive styles that differ from their male counterparts (Croson and Gneezy, 2009). In particular, research indicates that women on boards generally exhibit greater risk aversion and reduced overconfidence, traits that improve oversight and mitigate excessive investment (Barber and Odean, 2001; Bernasek and Shwiff, 2001).

Gender-diverse boards enhance strategic oversight by incorporating diverse problem-solving approaches, improving the detection of emerging and new opportunities (Gul et al., 2011; Kim and Starks, 2016). This diversity broadens the informational base used in board deliberations, enhancing the rigor of ESG-related discussions. Empirical studies further link female directors to stronger board engagement, highlighting meeting attendance and thorough preparation (Adams and Ferreira, 2009). Their inclination toward critical inquiry and willingness to voice dissenting opinions also fosters a culture of accountability, ensuring closer scrutiny of managerial actions (Adams and Ferreira, 2009).

Furthermore, female directors enhance the advisory capacity of boards by introducing perspectives often absent in more homogeneous groups (Gul et al., 2011; Hillman et al., 2000). Such diversity within the boardroom can foster more effective product innovation and marketing approaches, as women directors may demonstrate stronger insight into female consumer preferences (Harjoto et al., 2015). Collectively, the literature indicates that appointing women to boards not only enhances governance and risk oversight but also equips boards to devise more creative strategies and address the interests of a wider range of stakeholders.

While prior studies often suggest that female board representation enhances ESG practices, emerging literature emphasizes that such effects are not universal. From a group dynamics perspective, gender diversity may result in coordination difficulties, including reduced cohesion and greater conflict, as suggested by social identity theory and similarity attraction theory (Williams and O'Reilly, 1998; Jehn et al., 1999). Moreover, tokenism theory holds that without sufficient numbers to reach a critical mass, female directors may be marginalized in the decision-making process (Baik et al., 2024).

These limitations may be particularly evident in the South Korean context, where cultural norms deeply rooted in Confucian norms shape organizational hierarchies and gender roles. Research shows that hierarchical traditions and male-dominated informal networks often exclude women from key governance activities and limit their leadership advancement (Yoon, 2019; Horak and Suseno, 2023). As such, despite visible representation, female directors in Korea may face distinct structural barriers that hinder their meaningful participation in strategic decision-making. Together, these findings suggest that board diversity alone may be insufficient to guarantee substantive influence or improved ESG outcomes, especially within sociocultural contexts that constrain inclusion.

Given the benefits and constraints of gender-diverse governance, this study tests whether female directors strengthen the positive link between governance communication and ESG performance under context-specific conditions.

Hypothesis 2: Female directors on the board affect the relationship between communication with governance and ESG activities.

3. Research design

3.1. Data collection

Table 1 outlines the sample selection procedures. The initial dataset included 4,960 firms listed on the Korea Composite Stock Price Index (KOSPI) and the Korea Securities Dealers Automated Quotation (KOSDAQ) for the period 2019 to 2020. Firms lacking complete financial data were subsequently excluded, resulting in a final sample of 4,164 observations.

Information regarding the frequency of communication with those charged with governance, the key independent variable, was manually collected from the section titled "Details of External Audit Conducted" in the audit reports disclosed via the Financial Supervisory Service's Data Analysis, Retrieval, and Transfer (DART) system. In this section, the frequency between the external auditor and those charged with governance is indicated by statutory disclosure requirements. Only the officially disclosed figures were extracted and employed in the analysis, with no additional calculation or subjective intervention. This approach guarantees both the objectivity and comparability of the data.

In addition, ESG performance data were acquired from the Korea Corporate Governance Service (KCGS) database. These data are privileged and non-public, available only to researchers or through formal agreement. Importantly, KCGS evaluates corporate ESG activities using assessment frameworks aligned with globally recognized standards, such as those issued by the Global Reporting Initiative (GRI) and other international bodies, which enhance the credibility and comparability of the ESG scores employed in this research. To reduce the potential impact of outlying values on the empirical findings, all control variables were adjusted using winsorization at the 1st and 99th percentiles.

Table 1: Data Selection Process

Korean firms with the information of communication frequency and ESG from 2019 and 2020, excluding the financial industry	4,960
Less	
Missing financial information	796
Final data	4,164

Figure 1 shows the scatter plots of ESG against communication with those charged with governance. Each dot represents a firm-year observation, displaying the relationship between these two variables using untransformed raw data. By depicting the direct data distribution without any statistical adjustment or filtering, the figure ensures transparency. Most observations are concentrated at lower levels of communication, while a smaller number of points are dispersed at higher frequencies, highlighting the existence of variability and some extreme cases in the sample. The dotted trend line summarizes the overall positive association, showing that firms with more frequent communications with governance bodies tend to exhibit higher ESG scores. This direct visualization enables straightforward interpretation of the data and provides insight into the natural distribution and correlation within the observed sample, supporting the study's empirical findings.

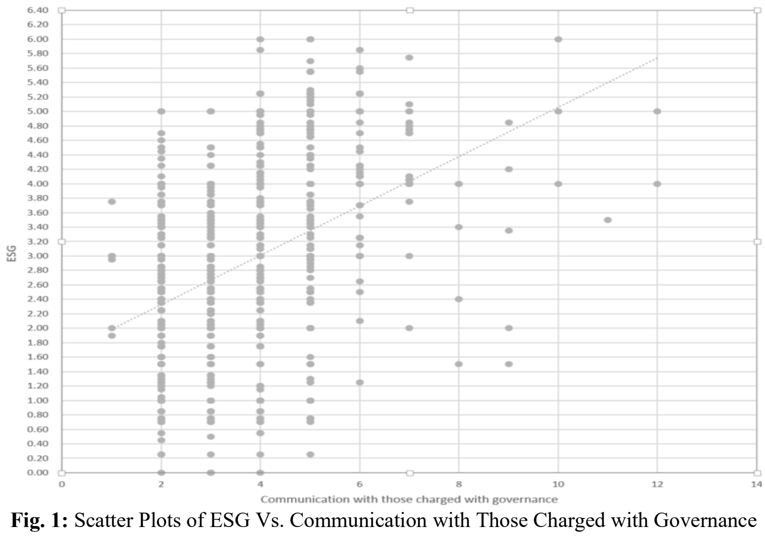

Fig. 1: Scatter Plots of ESG Vs. Communication with Those Charged with Governance

3.2. Empirical model

To empirically test the first hypothesis, which posits a direct relationship between the frequency of communication with those charged with governance and ESG performance, the following regression model is established.

$$ESG_t = \beta_0 + \beta_1 Comm_t + \beta_2 Size_t + \beta_3 Lev_t + \beta_4 Growth_t + \beta_5 Loss_t + \beta_6 Roa_t + \beta_7 Invrec_t + YrD + IndD + \varepsilon \quad (1)$$

Where, ESG = log(ESG score); Comm = log(the number of communication those charged with governance); Size = natural logarithm of total assets; Lev = total debt divided by total assets; Growth = Sales in year t / sales in year t-1; Loss = 1 if a company with loss, and 0 otherwise; Roa = net income / total assets; Invrec = plant, property, and equipment (except land and construction in the process)/total assets; YrD = year dummies; IndD = industry dummies;

To assess the second hypothesis, which conjectures that female representation on the board of directors moderates the association between governance communication frequency and ESG activities, model (1) is augmented. Specifically, the interaction term between female director presence and the frequency of governance communication is added in the second model. This allows for an examination of whether the efficacy of governance communication in influencing ESG outcomes is conditional upon board gender composition. The extended model is specified as follows.

$$ESG_t = \beta_0 + \beta_1 Comm_t + \beta_2 Female_t + \beta_3 CF_t + \beta_4 Size_t + \beta_5 Lev_t + \beta_6 Growth_t + \beta_7 Loss_t + \beta_8 Roa_t + \beta_9 Invrec_t + YrD + IndD + \varepsilon \quad (2)$$

Where, Female = log (Female directors on board); CF = Comm × Female, interaction term between Comm and female directors on the board; See equation (1) for the definition of other variables.

4. Empirical results

4.1. Descriptive statistics

Table 2 presents the descriptive statistics for the key variables employed in this study. The dependent variable, ESG, representing the natural logarithm of ESG scores, exhibits a mean of 0.907 and a median of 1.002. The standard deviation of 0.534 indicates a moderate level of dispersion in ESG performance among the sample firms. The primary independent variable, Comm, which is the natural logarithm of the frequency of communication with those charged with governance, has a mean of 1.420 and a median value of 1.386. The standard deviation is 0.296, indicating relatively less variability compared to the ESG variable. The variable Female, representing female directors on the board, has a mean of 0.251. These descriptive statistics provide foundational insights into the distributional properties and variability of the variables.

Table 2: Descriptive Statistics

Variables	Mean	Std	Q1	Median	Q3
ESG	0.907	0.534	0.642	1.002	1.253
Comm	1.420	0.296	1.099	1.386	1.609
Female	0.251	0.458	0.000	0.000	0.693

(1) See equations (1) and (2) for variable definitions.

Table 3 presents the Pearson correlation for the primary variables utilized in this study. A statistically significant positive correlation is observed between ESG performance (ESG) and the frequency of communication with governance (Comm). Similarly, ESG performance (ESG) is positively and significantly correlated with female director representation (Female). The correlation between the frequency of communication with governance (Comm) and female director representation (Female) is also positive and statistically significant, albeit relatively weak. Overall, all pairwise correlations among the main variables are statistically significant. However, this correlation matrix is limited to bivariate associations and does not incorporate control variables. The potential influence of such omitted variables on the dependent variable necessitates a multivariate approach for a more robust examination of the hypothesized relationships.

Table 3: Correlation Matrix of Main Variables

	ESG	Comm	Female
ESG	1.000	0.305 <.0001	0.164 <.0001
Comm		1.000	0.122 0.001
Female			1.000

(1) See equations (1) and (2) for variable definitions.

4.2. Regression results

Table 4 presents the regression results testing the first hypothesis, which assesses the effect of communication with those charged with governance (Comm) and ESG activities. The coefficient of Comm is 0.181, which is statistically significant at the 1% level. The regression results support the first hypothesis that a higher frequency of communication with those charged with governance is associated with improved ESG performance.

This suggests that strengthening communication effectively activates the monitoring and control mechanisms within a company and contributes to enhancing the transparency of financial reporting. The findings of this study demonstrate that these improvements in governance can extend to the non-financial performance of ESG. In other words, through active communication, governance bodies can more deeply engage in and oversee the company's overall operations and risk management, thereby enhancing ESG.

Table 4: Regression Results of the First Hypothesis

Variables	Est.	t-value
Intercept	-3.081	-11.570^{***}
Comm	0.181	3.010^{***}
Size	0.149	13.190^{***}
Lev	-0.151	-1.690^{*}
Growth	-0.120	-4.070^{***}
Loss	-0.083	-2.050^{**}
Roa	-0.061	-0.480
Invrec	-0.550	-4.850^{***}
YrD	Included	
IndD	Included	
F-value	46.16^{***}	
Adj-R^2	0.284	

(1) ***, **, and * denote significance at the 1 %, 5 %, and 10 % level, respectively.
(2) See equation (1) for variable definitions.

Table 5 shows the regression result of the second hypothesis, testing the impact of female directors on the board on the relationship between communication with those charged with governance and ESG activities. The variable, CF, is the testing variable and shows a coefficient of 0.069, statistically positive at 1 % level. However, the main effect of the female director variable (Female) is not statistically significant, with a coefficient of 0.008. This suggests that the presence of female directors may not directly impact ESG performance significantly, but indicates that the presence of female directors on the board strengthens the relationship between communication with governance bodies and improved ESG performance. This implies that diversity in board composition, particularly the participation of female directors, can enhance the quality of internal communication for ESG management and promote effective oversight functions, thereby contributing to tangible improvements in non-financial performance.

Table 5: Regression Results of the Second Hypothesis

Variables	Est.	t-value
Intercept	-3.022	-10.730***
Comm	0.153	2.510**
Female	-0.008	-1.260
CF	0.069	2.710***
Size	0.148	12.320***
Lev	-0.149	-1.660*
Growth	-0.120	-4.070***
Loss	-0.095	-2.350**
Roa	-0.087	-0.690
Invrec	-0.545	-4.800***
YrD	Included	
IndD	Included	
F-value	36.95***	
Adj-R^2	0.29	

(1) ***, **, and * denote significance at the 1 %, 5 %, and 10 % level, respectively.
(2) See equation (1) for variable definitions.

5. Discussion

This study finds that while the presence of female directors on corporate boards does not have a statistically significant direct effect on ESG performance, it has a meaningful moderating influence that strengthens the positive relationship between governance communication and ESG outcomes. This lack of significant direct impact warrants further interpretation, especially in light of the literature that has often highlighted the benefits of board gender diversity. One possible explanation lies in the sociocultural and institutional context of Korean firms, where Confucian-based hierarchies and male-dominated organizational structures may limit the active engagement and decision-making authority of female board members (Yoon, 2019; Horak and Suseno, 2023). Even when women are appointed to boards, they may occupy symbolic positions that restrict their influence, especially if their representation falls below a critical mass, as described by tokenism theory (Baik et al., 2024).

Moreover, the variable, Female, in this study captures only the logged number of female board members, which may not fully reflect qualitative dimensions of their participation, such as their roles in ESG committees, tenure, or leadership positions. The relatively short window of observation may also be insufficient to capture gradual effects that may require a longer time to materialize. As ESG-related decision-making is often a product of sustained cultural and strategic shifts, it is plausible that the influence of board diversity emerges with time as inclusion becomes institutionalized.

6. Conclusion

This study empirically examined the impact of communication between external auditors and those charged with governance on corporate ESG (Environmental, Social, and Governance) performance, with a particular focus on the moderating effect of female directors on the board. Using data from Korean listed firms between 2019 and 2020, the analysis demonstrates that a higher frequency of communication with governance bodies significantly enhances ESG performance. This finding suggests that robust and frequent communication not only strengthens internal monitoring and transparency but also extends its positive influence to non-financial domains, such as sustainability and social responsibility.

Furthermore, the study reveals that the presence of female directors on corporate boards amplifies the positive relationship between governance communication and ESG outcomes. While the direct effect of female board representation on ESG performance is not statistically significant, the interaction effect indicates that board diversity, particularly gender diversity, enhances the effectiveness of governance communication in promoting sustainable business practices. Female directors contribute diverse perspectives and prudent risk management, which help boards better oversee and integrate ESG considerations into corporate strategy.

These results provide important implications for both policymakers and practitioners. For policymakers, the findings underscore the value of regulatory frameworks that encourage transparent communication between auditors and governance bodies, as well as the importance of promoting board diversity. For firms, the study highlights that investing in effective governance communication and fostering gender-diverse boards can yield tangible improvements in ESG performance, thereby supporting long-term corporate sustainability and stakeholder trust. In summary, this research contributes to the literature by demonstrating that effective communication with governance, coupled with board diversity, is a critical driver of enhanced ESG performance.

To address the limitations of this study and deepen understanding of how female directors affect ESG outcomes, future research should consider a longitudinal approach that tracks changes in board composition and ESG performance over an extended period. This would help clarify whether the impact of female representation emerges gradually or with a time lag. In addition, incorporating digital governance tools, such as analysis of board meeting records, could provide richer insights into how female directors contribute in practice. Such tools may reveal informal board dynamics and engagement patterns that standard quantitative measures cannot capture. Ultimately, more detailed and time-series data will allow future studies to better identify when and under what conditions female directors have a meaningful effect on ESG performance, offering a more nuanced perspective on board diversity's role in sustainable governance.

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