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Review

A Review of Corporate Social Responsibility Decoupling and Its Impact: Evidence from China

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Abstract: CSR decoupling refers to the misalignment between a company's stated CSR policies and its actual practices, resulting in issues like diminished financial performance and heightened risk. While initially explored in developed economies such as the US, recent research has shifted focus towards developing nations like China. However, a comprehensive review of CSR decoupling literature in the Chinese market remains lacking. Previous research typically examines the decoupling phenomenon at the general level of CSR, without considering the distinct impacts of its three key components: environmental, social, and governance pillars. Our study seeks to address this gap by conducting a comprehensive review of CSR decoupling covering 82 related studies, specifically analyzing its environmental, social, and governance dimensions within the context of China. Our findings offer valuable insights for both future research on CSR decoupling in China and policymaking. Firstly, there is a pressing need to prioritize investigations into means–ends decoupling, given the constraints on policy–practice decoupling imposed by stringent regulations. Secondly, the role of government policies in shaping CSR practices is pivotal. Future research could delve into the impacts of policy shocks using quasi-experimental designs. Thirdly, emerging issues like workplace safety, the executive pay gap, and gender diversity are gaining prominence in China's CSR landscape. Lastly, the dominance of state ownership presents significant challenges to corporate governance, warranting further exploration.

Keywords: CSR decoupling; greenwashing; social washing; corporate governance

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1. Introduction

Climate change has emerged as a significant topic for the global economy. Countries worldwide are increasingly setting quantitative targets for reducing carbon emissions, aiming to limit global temperature rise to within 2 °C above pre-industrial levels as set in the Paris Agreement [1]. For instance, as part of their agreed share of contributions, the European Union has pledged to cut greenhouse gas emissions by at least 40% by 2030 compared to 1990 levels [2]. Similarly, China has announced plans to reduce its carbon intensity by 60% by 2030 compared to 2005 levels [3]. Additionally, countries are committing to carbon reduction efforts through the adoption of low-carbon technologies and participation in carbon trading markets [4]. For instance, China introduced its carbon emission trading system in 2017, which is expected to become the world's largest carbon trading market [5]. Despite the government's efforts, China has remained the world's leading greenhouse gas emitter for the past decade, largely due to its status as a global manufacturing hub [6]. In 2008, China implemented mandatory and voluntary disclosure guidelines for corporate social responsibility (CSR) reporting to curb excessive emissions by companies and mitigate international pressure to combat climate change [7]. The strict 2015 Environmental Protection Law has also deterred companies from polluting activities [8]. In addition to environmental challenges, China's rapid economic growth has also led to increased social issues, including workplace safety incidents, demands for gender equality, and calls for salary equity [9,10]. These issues require attention alongside the malfunctioning governance mechanisms, which can be addressed through enhanced regulation, increased employer awareness, and stronger societal monitoring [11]. In contemporary times, CSR reporting holds equal significance to financial reports, with recognition extending beyond investors to encompass various stakeholders, including employees, consumers, and local communities. Due to the significance of CSR, numerous studies have been undertaken to explore its financial implications. The collective findings indicate a positive correlation between CSR initiatives and a company's financial performance, ultimately contributing to the maximization of shareholder value [12–14].

Given the importance of CSR in both financial and reputational terms, companies frequently present a polished image in their CSR reporting, overlooking challenging issues they face in practice [15]. Many previous studies have noted the inconsistency between exaggerated CSR disclosures and the comparatively limited CSR performance, a phenomenon termed CSR decoupling or CSR gap [16,17]. Participating in CSR decoupling might fulfill immediate objectives, yet its harmful effects will become evident over time. According to Shim and Yang, companies engage in corporate hypocrisy, such as CSR decoupling, which results in a decline in reputation and trust from consumers [18]. Additionally, prioritizing symbolic CSR actions over substantive ones, as highlighted by Schons and Steinmeier, affects financial performance [19]. Moreover, Font et al. argue that CSR decoupling hampers progress towards climate goals as it fails to generate tangible environmental and social impacts [20]. Given its novelty in research, scholars often begin their exploration of CSR decoupling by focusing on the US market or other developed economies. For instance, by studying a US sample, García-Sánchez et al. find that a wider gap leads to increased analyst forecast errors, elevated cost of capital, and diminished access to finance [17]. Recent studies have begun prioritizing their attention from developed nations towards developing economies. Several studies have examined the effects of CSR decoupling within the Chinese context, exploring aspects such as financial performance, stakeholder influence, and top executive control [21–23]. Despite the evolution of CSR into a multifaceted concept comprising environmental, social, and governance dimensions, a comprehensive literature review on CSR decoupling in the Chinese market is still lacking. Existing studies often fail to distinctly analyze these three pillars. Additionally, examining CSR decoupling through the specific lenses of greenwashing (environmental), social washing (social), and governance washing (governance) is crucial. This approach not only clarifies the current research focus but also aids in synthesizing findings and suggesting future trends. To fill the research gap, we address the following research questions and sub-questions:

1. What is CSR decoupling and how can we measure it?
2. How does CSR decoupling affect Chinese companies?
    - How does greenwashing affect Chinese companies?
    - How does social washing affect Chinese companies?
    - How does governance washing affect Chinese companies?

To address the research questions, we performed a structured literature review focusing on keywords related to CSR decoupling and China across peer-reviewed journal articles. We first examine the origin of CSR decoupling, tracing its roots to the differentiation between internal and external CSR [24]. Subsequently, we delved into a detailed discussion of the two types of CSR decoupling, exploring their definitions, consequences, and anticipated future trends. Finally, we also provided an overview of the current CSR decoupling measures in place. The latter part of the paper concentrates on analyzing the influence of CSR decoupling in the Chinese market context. Additionally, we disentangle CSR decoupling into three aspects: greenwashing, social washing, and governance washing, to address the corresponding subordinate research questions. We begin by outlining the current state of greenwashing in China and examining its impact with regard to government policies, media coverage, and stakeholder awareness. Critical aspects such as employee protection, diversity, and wage equality were thoroughly examined regarding social washing. Lastly, we explored the effects of highly concentrated state ownership, a prevalent phenomenon in China, on corporate governance disclosure and performance. Our paper contributes not only to future research on CSR decoupling in China but also holds significant policy implications. First and foremost, future studies should prioritize examining means–ends decoupling, as heightened regulations and oversight leave little space for blatant policy–practice decoupling. Companies tend to use means–ends decoupling to inflate their ESG ratings [25]. Secondly, unlike Western countries, China operates within a highly centralized political and economic system where government policy is crucial in mediating CSR practices. For example, the "low-carbon city" policy, despite being introduced as a directive by the central government, has inadvertently allowed brown companies to benefit from greenwashing practices, contradicting its initial vision [26]. Future studies could investigate policy shocks by employing a quasi-experimental design. Thirdly, workplace safety has long been a concern in China, given its status as a labor-intensive industrial country. Additionally, emerging social issues such as the executive pay gap and gender diversity are beginning to come to light. Finally, the dominance of state ownership is an inevitable factor when discussing corporate governance problems in China. Its influence warrants further research. In summary, as the world's second-largest economy, the actions of Chinese companies in CSR are considered to have a significant impact on global climate mitigation goals. Therefore, there is a need for more research and understanding of Chinese issues and solutions.

2. CSR Decoupling in a Nutshell

2.1. CSR Decoupling Definition

CSR lacks a universally recognized definition and is thus open to diverse interpretations, as highlighted by Sila and Cek [27]. The World Business Council for Sustainable Development defines CSR as businesses' commitment to fostering sustainable economic growth while enhancing the well-being of employees, families, and society at large. Similarly, the European Commission defines CSR as the voluntary integration of societal and environmental concerns into daily business operations and stakeholder interactions [28]. Van Marrewijk sees CSR as a global solution to poverty, social isolation, and environmental degradation [29]. Additionally, CSR is perceived as a management practice and strategic tool aimed at making businesses profitable, law-abiding, and socially impactful [30].

CSR should always be analyzed within the corporate context, in alignment with corporate behavior. In a firm, actions can be broadly categorized as either substantive or symbolic. Substantive actions are those that aim to advance specific organizational objectives directly, often closely aligned with existing organizational structures and activities [31]. Conversely, symbolic actions are reactive responses to external pressures, appeasing or deflecting external influences without necessarily driving meaningful organizational change [32]. When organizations adopt symbolic actions, they often detach them from their broader organizational framework, prioritizing preserving internal goals. In the realm of CSR, a similar distinction can be made between substantive and symbolic CSR efforts. Substantive CSR actions involve tangible changes in organizational behavior to align with prevailing social norms and address societal concerns [33]. Conversely, symbolic CSR actions seek to manipulate stakeholders' perceptions without necessarily driving substantial organizational change. Moreover, CSR actions can also be classified into internal and external categories. Internal CSR actions encompass substantive engagement, such as the formulation of CSR strategies, implementation of CSR projects, and monitoring of outcomes; on the other hand, external CSR actions involve communicating internal CSR efforts to key stakeholders and capital market participants, which refers to the reporting part [16].

Companies often present an idealized image in terms of reporting, glossing over harsh realities, as noted by Banerjee [15]. This tendency poses challenges in understanding a company's true CSR activities. He et al. introduced the concept of CSR decoupling, where a company's actual practices diverge from its stated policies, values, or ethics [21]. Hawn and Ioannou propose that a company's CSR activities can be categorized into external and internal actions [16]. External CSR pertains to commitments made to external stakeholders like consumers, the environment, and communities, while internal CSR involves initiatives directed at employees, board committees, and other internal stakeholders. This classification suggests that CSR decoupling arises from the misalignment between external and internal CSR actions. Concurrently, García-Sánchez et al. define CSR decoupling as the disparity between a company's internal CSR performance and its external CSR disclosure [17]. This discrepancy allows companies to maintain standardized legal structures while adapting activities based on practical considerations. This indicates a gap between internal actions and public disclosure regarding CSR activities.

2.2. CSR Decoupling Types

Bromley and Powell categorize two distinct forms of decoupling, providing valuable insights into the significance of the CSR decoupling in contemporary society [34]. They distinguish between policy–practice decoupling and means–ends decoupling. This differentiation contributes to a deeper comprehension of the complexities associated with CSR decoupling and its relevance in the present-day context.

2.2.1. Policy–Practice Decoupling

Decoupling often manifests as a disconnect between organizational policies and their practical implementation. This gap typically arises when established regulations are disregarded or consistently violated. Essentially, organizations may propose policies merely for symbolic purposes, or they may lack sufficient enforcement, evaluation, and supervision, minimally impacting their daily operations. Bromley and Powell highlight that policy–practice decoupling enables corporations to integrate diverse and potentially conflicting policies to meet external demands [34]. He et al. emphasize that policy–practice decoupling reflects the extent of policy implementation rather than its effectiveness, offering insight into a company's internal management efficiency [21]. Currently, most studies on the CSR gap concentrate on this type. For instance, Graafland and Smid illustrate policy–practice decoupling in the case of British Petroleum, where significant expenditures were allocated to rebranding and marketing efforts instead of renewable energy development [35]. Liu et al. point out that the heightened emphasis on transparency and accountability has played a role in the development of a more sophisticated form of decoupling known as means–ends decoupling [25].

2.2.2. Means–Ends Decoupling

Bromley and Powell introduce the concept of means–ends decoupling as the second type of CSR decoupling, which denotes a discrepancy between the strategies or processes employed (means) and the desired outcomes (ends) [34]. Unlike policy–practice decoupling, means–ends decoupling holds a more pervasive influence. This occurs when there is ambiguity regarding the alignment between the strategies adopted to achieve objectives and the actual results attained. Such situations often lead to increased complexity within the organization's internal frameworks, resulting in ongoing changes and diversion of resources from primary objectives. Graafland and Smid provide an example of means–ends decoupling in the pharmaceutical industry, where companies donate medicines to underdeveloped nations [35]. However, it is discovered that many of these medicines are expired, prompting the World Health Organization to establish guidelines to prevent such instances of "dumping". Consequently, while these firms bolster their reputation through medicine donations, the efficacy of their contributions is deemed negligible or even harmful. Liu et al. pinpoint the fact that as ESG ratings gain prominence, firms are investing more resources to enhance their ESG scores [25]. Nonetheless, there is a tendency for firms to manipulate ESG ratings through means–ends decoupling.

2.3. CSR Gap Measurement

Hawn and Ioannou and Tashman et al. argue that CSR performance serves as a proxy for a company's internal actions, reflecting its engaged CSR practices [16,36]. Conversely, CSR disclosure is viewed as a proxy for the company's external actions, representing its reporting to various stakeholders. In practice, CSR performance, indicating internal CSR activities, can be gauged using the ASSET4 database, with scores ranging from 0.1 to 100; CSR disclosure, reflecting external CSR activities, can be assessed using the ESG disclosure score from Bloomberg, also ranging from 0.1 to 100 [37,38]. The ESG disclosure score measures the transparency and quality of disclosure, with higher scores indicating a greater willingness to share activities with stakeholders. Therefore, CSR decoupling can be calculated as the difference between CSR disclosure in year t and CSR performance in year $t - 1$. To mitigate the issue of endogeneity, a one-year lag has been introduced. The second method for assessing CSR decoupling, as outlined by Tashman et al., revolves around distinguishing between internal and external actions [36]. Unlike the approach involving data retrieval from two distinct databases, this method involves breaking down ASSET4's ESG indicators into two distinct categories: internal and external actions. For example, indicators such as "Percentage of women on the board of directors" and "Does the company have a policy to improve its energy efficiency?" are considered substantive or policy factors and classified as internal actions. Conversely, indicators like "Does the company claim to favor promotion from within?" and "Does the company report on initiatives to recycle, reduce, reuse, substitute, treat, or phase out total waste?" focus on reporting or claims and are categorized as external actions. Consequently, CSR decoupling is calculated as the disparity between internal and external CSR indicator dummies. In summary, both methods offer effective means of quantifying CSR decoupling. The second method, which relies on a single database and thus avoids criticism related to differences in rating methods between two data providers, is gaining popularity.

3. Methodology

This study utilized a structured literature review, defined as a systematic and reproducible method for identifying, evaluating, and synthesizing existing research [39]. It provides a thorough overview of the current knowledge and suggests directions for future research by highlighting the gaps in the literature within this research domain [40]. Systematic reviews offer an effective method for gathering extensive information by focusing the literature search on a specific research topic, allowing reviewers to develop a more holistic view of the topic [41]. The methodology applied in this paper comprised several key procedures. Initially, we pinpointed three appropriate databases, namely ScienceDirect, SpringerLink, and Emerald Insight, through a thorough literature search utilizing keywords and establishing a documentation repository; secondly, a descriptive analysis was conducted to examine various aspects of the collected materials, such as their publishing journals and publishing time. Finally, material evaluation involved categorizing and analyzing the sample of studies to identify main issues, results, and discussions, along with directions for future development.

3.1. Search Strategy

This review was conducted among articles published between 2000 to 2023 in peer-reviewed journals archived in ScienceDirect, SpringerLink, and Emerald Insight. In pursuit of the paper's objective to assess the current state of the CSR gap/decoupling concept, our initial search utilized the keyword "Corporate Social Responsibility Gap/Decoupling". This search yielded 17 results across three databases. The limited number of search results underscores the emerging nature of this research field. Due to the scarcity of research on this topic, and in line with the paper's second objective of examining the CSR gap/decoupling scenario in China, we opted to dissect the CSR or ESG concept into its environmental, social, and governance dimensions, and analyze them separately. Hence, our initial search utilized the keywords "greenwashing" and "China", yielding a total of 24 results. Subsequently, the second search employed the keywords "social washing", "social disclosure/performance", and "China", resulting in a total of 97 results. Finally, our third search utilized the keywords "governance disclosure/performance" and "China", generating a total of 19 results. Duplicated articles among three databases were removed. Table 1 presents the search criteria and the corresponding outcomes obtained from each examined database.

Table 1. Search parameters and the outcomes obtained from each examined database.

Search Results				
Databases	CSR Gap/Decoupling	China		
		Greenwashing	Social Washing	Governance Washing
ScienceDirect	10	15	65	7
SpringerLink	5	8	15	4
Emerald Insight	2	1	17	8
Total	17	24	97	19
Total After Filtering	82			

3.2. Search Results Analysis

In this phase, we categorized 82 academic articles identified through keyword searches. A descriptive analysis was then performed to evaluate various aspects of the materials. This analysis focused on concept development, conceptual analysis, and quantitative methodologies employed in empirical studies. Finally, the sample was analyzed to identify key issues, empirical methodologies, findings, and discussions concerning future research directions.

Table 2 displays the titles of the journals where the reviewed articles were published. The *Journal of Business Ethics* and the *Journal of Cleaner Production* are the primary outlets for papers related to CSR issues. In addition to sustainability-focused journals, general finance journals such as *Finance Research Letters* also publish numerous CSR-related pa-pers, underscoring the increasing research focus on sustainability.

Table 2. Journal names and the number of retrieved articles.

Journal Title	Quantity
Journal of Cleaner Production	7
Journal of Business Ethics	7
Finance Research Letters	5
Energy Economics	3
Corporate Social Responsibility and Environmental Management	3
Pacific-Basin Finance Journal	3
Business & Society	2
Business Strategy and the Environment	2
Ecological Economics	2
International Journal of Environmental Research and Public Health	2
Journal of International Accounting, Auditing and Taxation	2
Others (with only one paper)	44

4. CSR Decoupling in China

As previously mentioned, the available literature on this topic is limited. Consequently, there are even fewer studies dedicated to China. Table 3 provides a summary of the papers examining CSR decoupling within the Chinese context. From a financial perspective, the correlation between CSR decoupling and firms' financial performance is negative [21]. Their study further suggests that customer stability and operational slack can suppress the negative relationship. Another significant influencing factor is shareholder pressure. Liu et al. highlight that during crises (market crash or public relations crisis) of a certain company or industry in their portfolio, institutional shareholders such as mutual funds, when distracted by such crises, lead other unaffected firms to prioritize external

CSR over internal CSR, resulting in an enlarged CSR gap due to reduced pressure from shareholders [25]. Beyond shareholders, stakeholders also exert strong influences on a firm's CSR strategies. Xue et al. suggest that legitimacy threats, such as a firm's affiliation with a high-polluting industry, encourage firms with corporate social performance below stakeholder expectations to implement substantive CSR initiatives, ultimately reducing CSR decoupling [22]. Zhao et al. shift focus from outside to inside and studied the influence of board network on CSR decoupling [42]. Their results suggest that board network centrality exhibits a positive correlation with CSR decoupling during the pre-adoption period (2009–2014) of the new environmental law but demonstrates a negative correlation with CSR decoupling during the post-adoption period (2015–2018). This study demonstrates the contrasting effects of board influence and government policies. Besides the board, the influence of top executives cannot be neglected. Wang et al. find that executives driven by promotion or ideology tend to publish more comprehensive CSR reports than their counterparts [23]. However, only those with ideology-oriented mindsets actively contribute to societal advancement, while promotion-oriented executives are linked to lesser societal impact. This study demonstrates the varying impact of genuine pro-environmental awareness compared to mere self-interest. In summary, studies on CSR decoupling dedicated to the Chinese context remain relatively limited. However, current research has addressed various crucial aspects, including financial performance, corporate governance, government policy, and top executive influence. Furthermore, those findings are consistent with studies focusing on a global or US sample. For instance, a larger decoupling leads to higher errors in analysts' forecasts, increased capital costs, and diminished financial accessibility [17]. In terms of governance perspective, Gull et al. confirm that board gender diversity is negatively associated with CSR decoupling [43]. García-Sánchez et al. further pinpoint that external assurance and the implementation of GRI guidelines help mitigate CSR decoupling practices [44]. Overall, the detrimental effects of CSR decoupling on both financial and non-financial performance are clear, whether in the Chinese or global context. Additionally, solutions like enhanced governance and external monitoring have universal applicability.

Table 3. Summary of existing literature on the CSR gap in China.

Article	CSR Decoupling Measure	Sample	Methodology	Base Theory	Main Results
He et al. [21]	The difference between standardized (z-score) CSR disclosure and performance	All Chinese listed firms archived in the China Stock Market and Accounting Research Database from 2008 to 2020	Panel regression	Goal interdependence theory	CSR decoupling inversely impacts firms' financial performance. The study suggests this link can be tempered by customer stability and operational slack, yet exacerbated by customer concentration.
Liu et al. [25]	CSR decoupling is determined by subtracting the scores of internal ESG actions from those of external ESG actions, measured on a standardized z-score scale	China Securities Index (CSI) 300 companies between 2017 and 2019	Panel regression	Organized hypocrisy theory	Distracted mutual fund investors prioritize external over internal ESG actions, resulting in elevated levels of ESG decoupling. They predominantly rely on the threat of exit rather than using their voice as a governance mechanism to affect corporate ESG decoupling.
Xue et al. [22]	CSR decoupling is quantified by the difference between firms' CSR disclosure quality and their corporate social performance	A sample of 5166 Chinese publicly listed firms from 2010 to 2019	Heckman two-stage model	Behavioral theory of social performance	Firms experiencing legitimacy threats, with corporate social performance (CSP) falling below stakeholder expectations, are inclined towards implementing substantive CSR initiatives.
Zhao et al. [42]	The difference between a firm's third-party-rated CSR level and its actual CSR performance or inputs	Chinese A-share listed firms on the Shanghai and Shenzhen stock exchanges for the 2009–2018 period	Panel regression	Network theory.	Board network centrality exhibits a positive association with over-decoupling during the pre-adoption period (2009–2014) of the new environmental law but a negative association during the post-adoption period (2015–2018).
Wang et al. [23]	The difference between CSR rating scores and CSR reporting scores	All non-state owned Chinese listed companies from 2008 to 2017	OLS regression	Legitimacy theory	Executives possessing a promotion or ideology-focused mindset tend to release more comprehensive CSR reports compared to their counterparts.

Since first emerging in the 1930s, the concept of CSR has substantially evolved its focus, framework, and objectives. Nowadays, an increasing focus on CSR and corporate governance underscores a more expansive approach to business sustainability, as detailed by Sætra [45]. Furthermore, by the 1990s, CSR had evolved into the broader Environmental, Social, and Governance (ESG) framework, marking a significant shift from focusing solely on CSR to embracing ESG principles [30]. Correspondingly, CSR decoupling can be categorized into three distinct aspects: greenwashing, social washing, and governance washing. Thus, this chapter will explore how CSR decoupling affects Chinese companies, examining the implications from environmental, social, and governance perspectives.

4.1. Greenwashing

Global warming stands out as the paramount environmental concern worldwide. Every nation is under immense pressure to reduce greenhouse gas (GHG) emissions. As the "World Factory", China has been the leading GHG emitter for the last decade. Figure 1 illustrates that China outruns the second place, the United States, by 2.3 times in terms of annual GHG emission. However, the responsibility for GHG emissions is often debated based on production and consumption principles [46]. In the production-based approach, producers bear the responsibility, while the consumption-based approach attributes it to consumers. Some argue that the two extreme ways of allocation lack fairness, as consumers drive emissions but producers possess technologies to perform cleaner production [47]. Advocates suggest a shared responsibility, emphasizing cooperation across the industry chain to enhance emission reduction. Therefore, income-based responsibility is proposed, requiring all beneficiaries of emissions to share accountability, encompassing all contributors to GHG emissions [48]. Despite the current debate on establishing a fair emission allocation scheme, the global pressure on urging China to control GHG emissions is prevailing. In response, the Chinese government has intensified environmental regulation enforcement, notably through the stringent 2015 Environmental Protection Law. Concurrently, China promotes environmental tax, emissions trading, and public supervision, creating a comprehensive environmental regulation system [8]. Besides govern-mental efforts, prominent Environmental NGOs, such as the Institute of Public and Environment Affairs, also play a crucial role in enhancing transparency and mediating environmental risks [49]. Better regulations and public monitoring have alleviated environmental problems to a certain extent, but their side effects such as higher production costs resulting in greenwashing will also profoundly affect the future development of environmental protection in China.

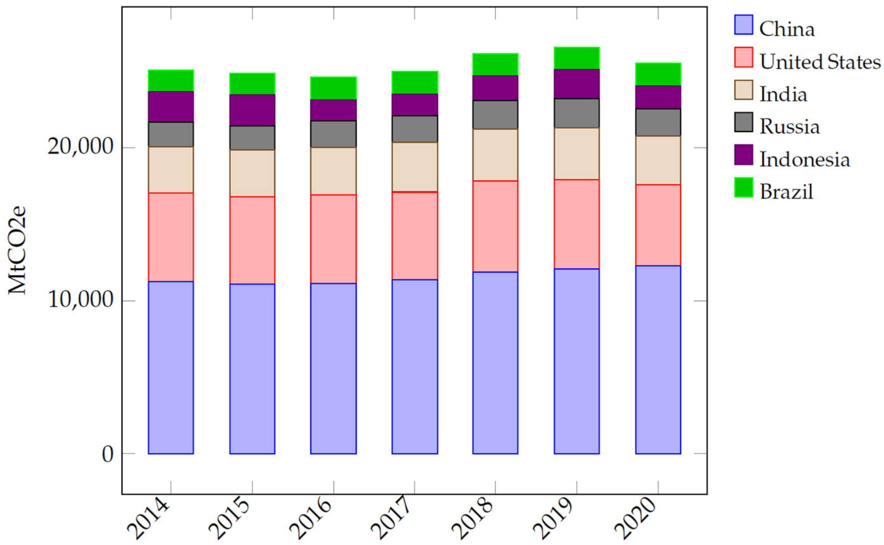

Figure 1. Historical greenhouse gas emissions (2014–2020). Note: This figure shows the greenhouse gas emission condition of the top seven emitting countries, over the period from 2014 to 2020. The greenhouse gas emission data are retrieved from Climate Watch [6].

Previous studies mainly focus on the economic impact of greenwashing. For in-stance, Du's study delves into market responses to greenwashing and the role of corporate environmental performance in the Chinese context [50]. Using Cumulative Abnormal Returns (CAR) as a key metric, the data reveal a notable negative association between greenwashing and CAR. Concurrently, a positive correlation emerges between corporate environmental performance and CAR, signaling that companies with superior environmental practices experience more favorable market reactions post-greenwashing exposure. Furthermore, media coverage plays a crucial monitoring role, influencing investor behavior in countries such as China, where traditional governance mechanisms are less robust. Greenwashing hurts not only stock returns but also market valuation. The study conducted by Lin et al. investigates the impact of greenwashing on equity mispricing in Chinese firms using a firm-level panel dataset spanning 2011 to 2021 [51]. The analysis reveals a positive association between greenwashing and equity mispricing. Moreover, high-quality external auditing, intense market competition, and stringent environmental regulations mitigate the positive impact of greenwashing on equity mispricing, which echoes Du's findings of emphasizing the role of external governance mechanisms [50]. The damage caused by greenwashing lies not only in the financial perspective but also in corporate reputation. The study conducted by Guo et al. reveals that the decoupling of green practices from green promises not only directly diminishes consumers' trust in the brand but also indirectly affects it through the mediating role of green brand legitimacy [52]. In other words, consumers start to question a brand's trustworthiness when they engage in greenwashing activities.

Contrary to conventional thinking, Li et al. find a positive association between greenwashing and corporate financial performance proxied by return on equity, through analyzing Chinese-listed firms across 21 industries [51]. However, this effect weakens under stringent environmental regulations and high media coverage, indicating that stakeholders struggle to identify greenwashing in high-information-asymmetry environments. Similarly, a recent study by Chen and Dagestani finds that greenwashing enhances firm value by using a two-way fixed effects model and robustness tests [53]. However, the authors also pinpoint the fact that good governance measures such as board diversity, including female directors, age diversity, education, and shareholder aggregation, hinder greenwashing and mitigate the positive association. Although previous studies generate inconclusive results regarding greenwashing's financial impact, the importance of government regulations and media coverage is evident.

Sun and Zhang utilize theoretical analysis and simulation to assess the efficacy of government regulation in curbing greenwashing practices in China [54]. Their result suggests that implementing a government punishment mechanism proves effective in regulating greenwashing and ensuring enterprises' stable development in green innovation. Moreover, the adoption of a government punishment mechanism becomes an imperative choice, serving as a necessary tool for the government to combat greenwashing practices. Similarly, Zhang et al. find that strong incentives and penalties by local governments encourage high-pollution enterprises to embrace green governance without greenwashing [55]. Speaking of incentives, Zhang et al. explored the influences of environmental subsidies and political connections on the relationship between environmental performance and greenwashing, finding that environmental performance has a stronger inhibitory effect on greenwashing for enterprises receiving environmental protection subsidies [56]. Therefore, we must pay attention to the role of the Chinese government in regulating greenwashing since they control both incentives and penalties. As aforementioned, the function of media dissemination is imperative. Yue and Li's study demonstrates that media attention significantly hinders corporate greenwashing, with executive risk aversion positively reinforcing this effect [57]. This finding is consistent with Du and Lin et al., which signals the importance of media attention in alleviating asymmetric information conditions, hence reducing greenwashing behavior [50,51].

The strength of government policies may have a positive or negative impact on corporate greenwashing behavior. The study of Tang et al., based on Chinese A-share listed firm data from 2012 to 2018, explores the relationship between environmental regulation intensity and corporate environmental actions [58]. Their results uncover that heightened environmental regulation often leads firms to prioritize symbolic actions like environ-mental reporting over substantive environmental efforts. Furthermore, this trend is particularly evident when firms face financial constraints. Moreover, financial constraints reinforce greenwashing not only under intensified regulations but also under the removal of beneficial policies such as environmental subsidies. Zhang reveals a strong motivation for companies with high financial risk or financial constraints to engage in greenwashing following the expiration of subsidies [59]. Utilizing Chinese manufacturing firm-level data from 2013 to 2019, the study conducted by Zhang employs the difference-in-difference method to assess the impact of green financial system regulation shocks on greenwashing risk [60]. The findings reveal that such regulation tends to increase greenwashing tendencies, particularly among highly polluting private firms as opposed to state- and foreign-owned counterparts. Additionally, green financial regulation imposes financial constraints on highly polluting firms, hindering their access to financing for renewable energy innovation and consequently driving the observed increase in greenwashing behavior. Similarly, the research conducted by Hu et al. reveals that highly polluting enterprises exhibit a significant increase in greenwashing compared to their less polluting counterparts [61]. Stringent environmental tax primarily incentivizes greenwashing among financially constrained, non-state-owned, and small-scale enterprises. Furthermore, these firms resort to greenwashing as a response to the heightened costs, avoiding genuine innovation or green initiatives.

Despite traditional reward and punishment policies, directional policies, such as the "low-carbon city" pilot policy where the Chinese central government prompts regions to aggressively reduce carbon emissions, have a more profound impact on greenwashing among companies located in the implemented regions. Zhang utilizes the "low-carbon city" pilot policy as a quasi-experiment design and finds that affected firms in these regions exhibit increased greenwashing manifested as more symbolic rhetoric and selective disclosure of positive information, with minimal substantive actions and suppression of negative news [26]. The trend is more pronounced among brown firms, politically connected firms, and those in regions with greater government interventions and GDP growth incentives. Remarkably, firms engaging in severe greenwashing tend to experience higher realized returns post-pilot announcement, indicating that their purported environmental efforts mislead the market. All in all, government policies play a crucial role in incentivizing and discouraging companies' greenwashing behavior. Therefore, governments should conduct comprehensive impact research before implementing new policies or removing old policies.

Despite government policies and media exposure, new technology such as fintech could also help to alleviate greenwashing in China. Utilizing data from listed companies in China, The study conducted by Xie et al. investigates the influence of financial technology (fintech) on corporate greenwashing, considering the mediating role of financing constraints [62]. The findings indicate that fintech significantly reduces corporate greenwashing, with financing constraints reinforcing this inhibitory effect. Zhang et al. also find that companies that conduct more technological innovation tend to engage in greenwashing behaviors significantly less [63]. Lu et al. also find a significant reduction in corporate greenwashing due to digital transformation among Chinese listed firms [64]. Meanwhile, the influence is particularly notable for state-owned enterprises, firms garnering high media attention, those in high-carbon-emission industries, and companies situated in highly developed regions. Furthermore, by conducting a three-party evolutionary game model for Chinese companies, Li et al. highlight two key findings. Firstly, government regulations significantly drive enterprises towards green innovation and prompt green financial institutions to offer services. Secondly, pre-blockchain, light regulation fails to deter greenwashing or foster green innovation [65]. Yet, with blockchain implementation, enterprises are incentivized to innovate green solutions even under light regulation. Therefore, new technologies such as blockchain could reinforce the positive impact of green policies. In summary, we need the cooperation of enterprises, governments, media, public opinion, and other stakeholders to reduce greenwashing because it not only hurts corporate stock returns but also has noticeable consequences such as reduced corporate reputation, lower employee motivation, and higher corporate green debt financing costs [66,67].

4.2. Social Washing

Social washing encompasses a wide array of ethical behaviors and practices concerning treating human resources. This includes issues such as labor and human rights violations, gender inequality, racial discrimination, modern-day slavery, and more [68]. Despite increased public awareness, many companies still attempt to present themselves as more socially responsible than they truly are, misleading consumers regarding social standards [69]. According to Wang et al., China, one of the world's most populous nations and the leading global manufacturing center, has seen its manufacturing sector experience significant growth, maintaining an average GDP growth rate of over 6% for the past decade and securing its position as the world leader for 11 consecutive years since 2010 [70]. However, with China's focus shifting towards high-quality development, enterprises must prioritize enhancing employee relations and workforce quality since workplace safety has been a crucial problem among Chinese manufacturing companies. The study by Dai et al. analyzes a dataset of 249 workplace safety incidents from 2007 to 2020, revealing a notable 2.5% average decline in firm value within 10 trading days following such accidents [71]. Firms with better employee treatment face reduced financial impact, showcasing the protective function of CSR practices. Moreover, companies experiencing workplace accidents suffer heightened decreases in both employee productivity and market valuation. Similarly, by analyzing survey data collected from Chinese private companies, Tong et al. find that companies with enhanced employee protection exhibit greater innovation capabilities [72]. This correlation is particularly prominent in firms with labor unions, indicating a synergistic effect. Additionally, political affiliations amplify the impact of employee protection on innovation. These empirical insights underscore the beneficial role of labor unions and political ties in fostering corporate innovation that complies with China's business conditions.

In addition to employee protection, other types of inequality within companies, such as gender and age discrimination and wage inequality, have also been common social problems in Chinese companies in recent years. Empirical research shows that solving these problems can help improve the overall competitiveness of enterprises. Shaheen et al. investigate the impact of gender change in CEO succession (male to female) on corporate social reporting [9]. It suggests that female CEO successors tend to enhance CSR reporting quality due to their differing traits and values, particularly regarding social is-sues. The study provides novel insights into CSR and corporate leadership, offering practical recommendations for policymakers and corporate decision-makers to integrate women into CEO succession plans for improved CSR disclosure quality and accuracy. Similarly, Cabral and Sasidharan find that women on the board significantly increase corporate social spending [73]. Muniandy et al. reveal that older board members positively influence social disclosures, whereas moderately young and the youngest members tend to restrict them, with gender diversity on the board moderating this relationship [74]. Additionally, firms with governmental shareholding exhibit higher disclosure levels than those without. These findings showcase the importance of older employees' expertise in improving companies' social disclosure quality, which contradicts the current trend of laying off old employees in China.

The disparity in compensation between executives and employees has gained significant interest in China. This pay gap can either motivate employees to strive for promotions or induce a sense of inequity aversion, potentially reducing their work effort. Based on Chinese-listed company data spanning from 2003 to 2011, Dai et al. observe a curvilinear association between the pay gap and firm productivity, suggesting an inverted U pattern, meaning that there is an optimal pay gap between executives and employees [75]. Wu finds a notable positive correlation between executive compensation, the executive pay gap, and the company's performance [10]. Elevating executives' salaries within appropriate limits and expanding the compensation gap reasonably can enhance the motivation of the senior management team, consequently boosting the company's performance. Using panel data from China's A-share listed companies from 2012 to 2020, Zhang et al.'s analysis unveils a substantial positive relationship between the reasonable executive pay gap and social disclosure [76]. Particularly noteworthy is that this influence of the executive pay gap on social disclosure is more noticeable in firms that voluntarily disclose information compared to firms with mandatory disclosure requirements. All in all, salary inequality is a double-edged sword, and companies must use it wisely to enhance performance instead of curbing employee motivation.

In addition to internal company factors, CSR's social aspect should include company-related stakeholders such as local communities, consumers, and suppliers. However, in China, the influence of powerful stakeholders on corporate social disclosures is typically limited [77]. Furthermore, socially responsible Chinese listed companies exhibit significant diversity in their social disclosure practices. Variations regarding stakeholder focus are observed across industries. For instance, automobile, iron, and steel companies prioritize consumer interests, while transportation and business industries prioritize employee welfare. Banking, insurance, mining, and chemical industries balance attention across multiple stakeholders [78]. This variation underscores the subjective nature of what constitutes genuine disclosure, as perceived by different stakeholder groups [79]. This phenomenon requires the government to strengthen the standardization and supervision of disclosure content, but it also serves as a promising beginning for companies to disclose information in alignment with stakeholder preferences. Stakeholders can glean more comprehensive CSR insights from dedicated CSR reports compared to a mere CSR chapter within annual reports. Another important outside factor is media attention. The study by Zhang et al. utilizes distinct data from Chinese publicly traded companies to investigate the impact of analyst coverage on corporate philanthropy [80]. Findings reveal that companies with greater analyst attention tend to participate more in philanthropic activities, aligning with the concept of reputational capital in corporate philanthropy.

Companies can gain numerous advantages from exemplary corporate social disclosure and performance. For instance, Yang et al. find that good social performance fosters innovation and efficiency, supporting companies' competitive edge [81]. Moreover, it can improve companies' reputations and contribute to achieving information symmetry advantages. Zheng et al. show that good social performance boosts green innovation for both clean and polluting industries in China [82]. Moreover, Luethge and Han discover a positive association between corporate social disclosure and firm size [83]. Wang and Chen find that companies demonstrating strong voluntary corporate social performance attract greater institutional investment, particularly from mutual funds, the primary drivers of institutional investment in China [84]. Mutual funds show a preference for firms excelling in social performance concerning employment equality and customer care. Meanwhile, insurance companies and social security funds favor firms prioritizing customer welfare. Therefore, it is beneficial for Chinese companies to improve the quality of social disclosure and engagement. However, the current social performance of Chinese enterprises still needs to be improved. Currently, Chinese companies prioritize maximizing shareholders' wealth, with minimal focus on ethical considerations [85]. Meanwhile, excessive social disclosure only happens with highly polluting industries that draw more public attention. The situation could be improved if more companies were willing to disclose. As discovered in Zhang et al.'s research, a higher concentration of enterprises disclosing social information within a region correlates with an increase in the number of enterprises intending to disclose such information [86]. Overall, despite the progress and changes that have been made, China still has a considerable distance to go to meet prevailing high social standards.

4.3. Governance Washing

The Chinese government has tried to enhance corporate governance standards and the quality of external audits. Besides the updated Company Law and the introduction of the new Security Law, significant changes in corporate governance in China have stemmed from the issuance of the 'Guidelines for Introducing Independent Directors to the Board of Directors of Listed Companies' in 2001 by the China Securities Regulatory Commission (CSRC). Additionally, the CSRC has issued the 'Code of Corporate Governance for Listed Companies in China', which outlines new regulations on mandatory disclosure requirements [87]. Nevertheless, current evidence suggests that corporate governance practices within Chinese firms still fall short of ideal standards. Existing research indicates that certain governance mechanisms, which prove effective in Western nations, either show no significant impact or even yield negative outcomes on firm performance in China [11]. Sabbaghi points out that several macro-level themes are significant in the context of China's markets and investors. These include the concentration of state ownership, the level of independence among board directors, concerns regarding insider trading, the quality of financial disclosures, and the maturity of capital markets [88]. For instance, analyzing the concentration of state ownership is crucial due to the heightened emphasis on control within state enterprises. Wei and Geng also pinpoint the potentially harmful effect of highly concentrated state ownership and advocate that it is vital to reconfigure the government's roles and limit the influence of controlling shareholders [89]. Conversely, Shao finds that state ownership positively correlates with firm performance [90]. The optimal ownership theory could explain this. Tsafack and Guo reveal a U-shaped relationship between foreign ownership and return on assets, indicating the existence of an optimal ownership structure [91]. Overall, given the present market and policy conditions, Chinese companies are on a journey toward achieving optimal governance performance, which signifies ongoing progress and potential for further enhancement.

Chinese companies demonstrate clear benefits from effective governance practices. Gao and Kling find that strengthening internal governance led to greater adherence to disclosure requirements, consequently lowering the risk of financial fraud [87]. Gao et al. point out that Chinese firms with good corporate governance performance receive a better market response regarding M&A performance [92]. Moreover, Sami et al. (2011) show that effective corporate governance is significantly linked with enhanced firm performance and valuation. Finally, corporate governance influences not only financial performance but also the other two aspects of ESG. Robust corporate governance practices are advantageous for managing legitimacy and facilitating the disclosure of social responsibility information [93].

5. Discussion and Conclusions

CSR decoupling, an extension of greenwashing, refers to the misalignment between a company's commitments and its actual actions, encompassing not only environmental protection but also social norms and corporate governance. It can be measured either by subtracting ESG disclosure scores from performance scores or by determining the disparity between internal CSR actions and external CSR actions [16,36]. Moreover, there exist two types of CSR decoupling: policy–practice decoupling, characterized by a disconnection between organizational policies and their practical implementation, and means–ends decoupling, denoting a disparity between the strategies or processes employed and the desired outcomes. Future studies and policymakers should prioritize examining means–ends decoupling, given that increased regulations and oversight leave minimal room for overt policy–practice decoupling.

Similar to studies conducted in developed markets, research within the context of the Chinese market also indicates that CSR decoupling negatively affects firm financial performance and access to external financing [21,25]. This paper further disentangles CSR into three aspects: environmental, social, and governance, and extensively discusses the status and impacts of greenwashing, social washing, and governance washing in China. When it comes to greenwashing, the negative impact on firm financial performance, firm value, and reputation is evident [50,52,53]. Government policies, including regulations, subsidies, and directive policies, play an important role in moderating the greenwashing behavior of Chinese companies. The implementation or removal of government subsidies especially impacts greenwashing behaviors significantly [59]. Future research could examine the influence of changes in government subsidies on greenwashing within heavily subsidized industries like the electric automobile sector. Additionally, it is essential to consider factors such as financial risk or constraints in this analysis. In the realm of social washing, it becomes evident that scandals or misconduct against social norms can have a devastating impact on both the financial and non-financial performance of Chinese firms [71,77]. Future research should not overlook emerging trends, such as gender equality, salary parity, and the aging population and workforce, in social development within China. Finally, regarding corporate governance, existing evidence indicates that corporate governance practices within Chinese firms continue to lag behind ideal standards. Highly concentrated state ownership exerts strong control on firm operations and limits the level of independence among board directors, as noted by Wei and Geng, suggesting a need for further research on this aspect [89]. Moreover, the establishment of further standards to discourage companies from practicing CSR decoupling, alongside governmental initiatives aimed at promoting environmental technology, could be supplemented by the integration of advanced technologies such as blockchain to improve the quality of CSR reporting. Overall, the findings of this study could serve as a foundation for future researchers to identify new research opportunities in the field of CSR decoupling. Additionally, policymakers can utilize these results to enhance the design of subsidies and improve the enforcement of environmental and labor laws. Furthermore, there is substantial potential for reducing CSR decoupling in China through synergistic efforts involving companies, government, media monitoring, and academic research.

The primary limitation of this study is the scarcity of research on CSR decoupling in the Chinese market. Although we attempt to address this issue by analyzing CSR decoupling from environmental, social, and governance perspectives, the amount of research specifically on social washing and governance washing remains limited, likely due to the predominant focus on greenwashing. This limitation affects the comprehensiveness of our study. Additionally, attempting to cover too many aspects dilutes the depth of analysis for each topic. Future research could benefit from a more focused exploration into one of these three aspects, allowing for a deeper and more detailed study.

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Abbreviations

The following abbreviations are used in this manuscript:

CSR	Corporate Social Responsibility
CSP	Corporate Social Performance
GHG	Greenhouse Gas
CAR	Cumulative Abnormal Returns
CSRC	China Securities Regulatory Commission

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