

Exploring the Joint Impact of Board Characteristics on Financial Performance and Corporate Sustainability

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Abstract. *This paper explores how board characteristics influence financial performance and sustainability outcomes, combining four theories from management literature with an empirical analysis of 98 companies listed in the FTSE All-World Europe Index. The paper offers a short theoretical insight from Agency, Stakeholder, Stewardship, and Resource Dependence theories, offering details how board traits such as gender diversity, board size, independence, non-executive membership, CEO Chairman duality, and sustainability audit committees affect financial and sustainability outcomes. Rather than focusing on a specific industry or country, the review adopts an intersectoral and general perspective, showing how scholars conceptualize the governance–performance relationship. The empirical analysis evaluates the 98 companies to identify which board characteristics are most consistently associated with financial and sustainability performance and which theories best explain these patterns. Through the representative data obtained, but also through the correlation of theoretical knowledge, the study emphasizes the role of the board as being seen as an important component of corporate governance, a strategic factor of the company, and a key provider of results. The findings support the understanding of how governance systems can balance short-term financial goals with long-term environmental and social responsibilities, offering guidance for future research and practical governance implementation.*

Keywords: Corporate governance, Board of directors, Corporate sustainability, Financial performance, Board effectiveness, ESG.

Introduction

The connection between the three components of the study, the board of directors, financial performance, and company sustainability, is established through corporate governance (Ali et al., 2024; Zheng & Kouwenberg, 2019). According to the International Integrated Reporting Council (IIRC, 2021), corporate governance, through a general and independent perspective on its components, plays the role of supervising and guiding organizational strategy, where financial performance reflects economic success and growth and sustainability ensures long term viability.

The strategic and functioning decision making of commercial companies are inevitably influenced by the characteristics of their boards of directors, which coordinate short and long term corporate strategies. In recent years of corporate governance, the role of boards has extended beyond traditional financial results, with an accent on sustainability results, to encompass broader sustainability objectives, including environmental, social, and governance (ESG) considerations and determining factors. This shift reflects increasing demands from stakeholders, regulators, and investors for companies to align economic success with sustainable development and corporate social responsibility (CSR).

Corporate governance as the complex point of theoretical and functional firm provides the framework through which boards supervise and guide organizational strategy, with financial performance reflecting economic outcomes and sustainability (Ali et al., 2024; IIRC, 2021). The composition of boards, including the characteristics analyzed: board size, gender diversity, independence, non-executive membership, and CEO chair duality, has been shown to influence

both financial and non-financial performance. The connection between these two concepts about performance also has a connection that takes care of the satisfaction of investors, but only by following the correct strategy through board characteristics. Understanding these mechanisms is essential for evaluating how boards can balance profit maximization with sustainable practices.

The board of directors acts as the central function of corporate governance through the development of strategies, supervision of performance, and acting as an intermediary between shareholders and management (Organisation for Economic Co-operation and Development, 2018). The board of directors is the principal pivot as a component of effective corporate governance through its relationships with management, shareholders, and bondholders (Terinte, 2018). The scope of the board's responsibilities varies and is influenced by both internal and external business perspectives. However, its effectiveness is typically assessed through traditional financial indicators, such as return on assets (ROA), return on equity (ROE), and Tobin's Q for the present value of companies. Nevertheless, some studies caution that sustainability metrics are sometimes overemphasized or conflated with broader strategic or ethical goals, generating inconsistent interpretations of board performance (Garcia-Castro et al., 2010).

Sustainability, as implemented through strategic decisions at the board level, is increasingly recognized as a source of competitive advantage, providing benefits for long terms and fostering organizational resilience (Hart, 1995; Lueg & Radlach, 2016). Firms that integrate ESG considerations into their strategy or consider them as particular strategies can transform potential risks into opportunities, optimize resource allocation, and enhance performance across multiple dimensions (Galpin et al., 2015). These ideas underscores the interconnectedness of corporate governance, financial outcomes, and sustainability goals.

The study offers a view of the characteristics of boards based on the four most used theories analysed in the literature review and presents the results in a simplified and systematic manner, separately for financial performance and non-financial performance. The literature review section focuses on the relationships examined between the board of directors, financial performance, and sustainability, each considered in pairs. The paper's structure is also grounded in the most relevant theoretical framework that supports the development of interest in board characteristics.

Despite the growing studies referring to board characteristics and ESG performance, empirical evidence remains limited, particularly in the context of European companies and emerging economies, and some results are opposite. Existing studies often focus on single aspects of governance or performance, without simultaneously addressing financial and sustainability indicators. This study seeks to fill this gap by examining the influence of key board characteristics on both financial and sustainability performance, offering results and effective governance interconnections for the two concepts.

By providing a systematic analysis of board features and their impact on corporate outcomes, this research contributes to the literature on corporate governance, firm performance, and sustainable development. The study aims to identify 98 companies based on the analysis of board characteristics and presents results separately for sustainability performance and financial performance, interpreting them in accordance with theoretical expectations. It also offers implications for policymakers, practitioners, and researchers interested in fostering long-term value creation through strategic board oversight.

Literature review

Connections Between Board of Directors' Characteristics, Financial Performance and Sustainability in the Specialized Literature

The dependency among the three elements is fundamental to the current study, but it can also be reflected through a specialized analytical approach by examining them two at a time. The relationship between these elements is comparable when considering board characteristics as determinants of both financial performance and sustainability performance as an integrated concept.

The implication of the board in decision-making is crucial for performance, which results from strategy, as well as internal and external interests (Daily et al., 2003). Performance is an exponent factor of business success, often reflected through financial indicators. Furthermore, performance based on historical values and achieved versus forecasted results can indicate problems within the board. Board members should therefore be characterized by responsibility and a shared under-standing of the issues (Jensen & Meckling, 1976).

The relationship between financial performance and sustainable choices is directly influenced by the decision-making of the board of directors, as both out-comes are shaped by the board's strategic orientation and governance priorities. Financial performance is influenced by sustainable choices, which can directly affect the firm through financial cash flow or indirectly through stakeholder interests. Sustainability and non-financial performance are characteristics that a company can adopt in pursuit of legitimate or financial interest.

Germain et al. (2001) distinguish financial performance into two categories: internal performance, which is reflected in the product, profit, and the overall capacity to generate added value within the company; and benchmark performance, which compares cost, quality, and customer satisfaction in comparison with standards imposed by the competitive market and the trio Environmental, social, and governance (ESG).

These two types of financial performance, as previously defined, are understood in the specialized literature through analogy: internal performance is generally interpreted as financial performance more in common academic phrase, while benchmark performance increasingly corresponds to performance in terms of sustainability, as it reflects the firm's alignment with broader market expectations and stakeholder value. The collaboration between financial performance and sustainable decisions is inevitable in the goals of shareholders and in maintaining the company's position in a competitive environment (Radu, 2012).

Integrated reporting, as promoted by the International Integrated Reporting Council (IIRC), supports a complex view of financial and non-financial performance, highlighting the connection between sustainability and financial performance, and promoting the interdependence between strategy, governance, and value creation (IIRC, 2021).

While the board of directors plays an internal and dependent role within the company, sustainability is a factor impacting the external environment. As such, defined as a strategy, sustainability reflects the board's interest in external matters, sometimes being optional, and in other contexts mandatory, depending on circumstances, the type of business, and the interests of the companies aligned with associates' wishes.

It is important to mention, within the relational context of accounting and sustainability, that it is based on the concept of sustainability reporting, which defines sustainability as responsibility toward the environment and corporate social responsibility (Gray, 1990). Sustainability reporting has become essential not only for external transparency but also for

forming internal strategies. It has contributed to a broader corporate governance perspective and has proven beneficial for the overall business environment.

Theories and Classifications Specific to the Topic

The conceptual linkage between sustainability and financial performance, in relation to the activities of the board of directors, is suggested by several managerial theories. The identification of these theories is based on specialized literature, followed by an analysis of the most prevalent theories in management that are relevant to the structure and functioning of the board.

Four key managerial theories are identified: Agency theory, Resource dependence theory, Stakeholder theory, Stewardship theory.

Agency Theory

Agency theory examines the relationship between managers and shareholders, aiming to reduce managerial influence and increase board importance to align decisions with shareholder objectives through the board's structure (Deutsch, 2005). The board in this case is formed to monitor and control managerial decisions in alignment with shareholder interests.

The literature identifies more relevant board characteristics associated with agency theory, and these include board independence, CEO chair duality, the presence of non-executive directors, board size, audit committees, board compensation, and the frequency of board meetings.

Board independence is widely regarded as an essential factor, as independent directors are expected to provide objective judgment and reduce undue managerial influence (Syed Fuzi et al., 2016). Conversely, CEO chair duality, where the CEO also serves as board chair, has been associated with a weakening of the board's monitoring function, potentially undermining governance effectiveness (Boyd et al., 2011).

The inclusion of non-executive directors is generally linked to monitoring and control (Grace et al., 1995). However, some studies note that their presence may lead to the formation of closed circles of influence within the board. While such structures may increase the risk of putting personal thoughts and personality first or starting corruption actions, they can also improve internal knowledge sharing and facilitate problem solving by offering a better understanding of firm specific challenges (Jaggi et al., 2020).

Board size represents another important characteristic. While a larger board may positively affect the diversity of perspectives, it can also reduce efficiency and coordination inside the board (Shakir, 2008). Empirical evidence remains mixed, with some studies suggesting that excessively large boards negatively affect both financial performance and corporate sustainability outcomes.

Among the less frequently examined but important governance mechanisms are audit committees. Independent audit committees are associated with improved financial transparency, stronger internal controls, and reduced risk exposure (Beasley & Salterio, 2001). Similarly, board compensation functions as active engagement and aligns directors' and executives' interests with firm value maximization (Street & Hermanson, 2019).

Finally, board meeting frequency is a critical dimension of governance in relation to the number and type of problems faced by the company. More frequent meetings facilitate a deeper understanding of organizational issues, support innovation, and enable more solutions and innovative ideas within the firm (Vafeas, 1999).

Resource Dependence Theory

This theory views board members as plus value resources for the firm, contributing knowledge, expertise, and connections that ultimately improve performance. Organizations are based on external environments for resources, and boards function as connectors between the firm and its environment (Pfeffer & Salancik, 1978). Unlike agency theory, resource dependence does not focus on manager shareholder alignment, but on profitability, value creation, and connections.

Board characteristics within this framework include diversity of knowledge, directors' expertise and experience, external networks, and cross board membership.

Board diversity improves organizational performance by incorporating a broad range of perspectives, including differences in professional background (Arsić, 1998), educational attainment (Adnan et al., 2016), gender, and other experiential attributes. From this point of view, directors with relevant industry expertise further strengthen governance quality and strategic decision making.

External networks enable firms to access valuable resources and information through trust based relationships, encouraging the efficiency of information exchange (Zhao, 2022). Closely related is cross board membership, whereby directors serve on multiple boards, gaining strategic insights and expanded networks (Lu et al., 2024). While such interconnections may generate economic advantages, they also raise concerns regarding information confidentiality and the potential use of privileged knowledge.

Stakeholder Theory

This theory emphasizes the board's dedication to long term value creation through commitment to all stakeholder interest's employees, customers, suppliers, local communities, governments, and more (Dumitru et al., 2015).

Board characteristics in this framework include stakeholder involvement, board diversity, and the scope of sustainability committees and strategies. Stakeholder involvement may take the form of participation in company decision processes or representation through corporate social responsibility initiatives (Khan, 2021). These point of view support sustainability policies, ethical standards, positive aspects of sustainable projects, and the balance between sustainability objectives and profitability.

Board diversity, also highlighted in other theories, is viewed here as a means of generating external legitimacy and social benefits (Fernandez & Thams, 2019). Sustainability committees further strengthen governance by delegating non-financial strategies to specialized teams, in order to be informed about the possible results and to support consistent sustainable decision making (Burke et al., 2019).

Given the parallel view of board diversity in both stakeholder theory and resource dependence theory, a deeper understanding is essential: 1) In resource dependence theory, diversity is seen as human capital, a strategic asset that contributes to expertise, adaptability, long term vision, and easier access to resources; 2) In stakeholder theory, diversity functions as a platform for dialogue, knowledge exchange, and ethical reasoning; 3) It adapts and integrates ethical governance by incorporating multiple perspectives and stakeholder expectations. Gender based differentiation is a common focus across both theories, highlighting its value added contribution to board effectiveness and ethical leadership.

Stewardship Theory

Stewardship theory assumes that managers act in the organization's best interest, aligning their goals with those of shareholders. Board members seek both tangible (financial) and intangible (reputational, professional) gains, working toward long-term organizational success (Donaldson & Davis, 1991).

This theory puts into discussion board characteristics such as small board size, equal power distribution, and commitment based governance. In contrast to agency theory, stewardship theory views the board as a simplified and cooperative structure rather than a hierarchical control system. Smaller boards facilitate direct communication and efficient final decisions within the board (Keay, 2017), while equal power distribution promotes democratic governance dynamics among board members, including the chair (Tran & Turkiela, 2020).

Commitment based governance is based on trust and mutual responsibility rather than formal monitoring and sanctions, assuming cooperative behavior and long term value creation (Blair & Stout, 2001).

These theories underpin the scientific study aimed at identifying the most important characteristics of boards that support recommended strategies for sustainability and financial performance. Sustainability, as discussed, is a multidimensional concept, interpreted differently by various authors: ecological sustainability, economic sustainability, and social sustainability.

Methodology

This paper evaluates the results of theories explaining board characteristics based on empirical quantitative analyses, offering results into the direct relationship between financial performance and sustainability outcomes in firms, as influenced by board characteristics.

The paper seeks to examine the interaction between financial results and sustainable choices through the interpretation of the literature review and the proposed theories, formulated in the following hypotheses:

H1: Boards structured according to agency theory characteristics (independence, CEO duality, non-executive members) improve both financial performance and sustainability outcomes.

H2: Smaller board size leads to higher sustainability performance, consistent with stewardship theory.

H3: Gender-diverse boards increase financial performance but have no significant effect on sustainability performance.

H4: Boards with sustainability committees, as predicted by stakeholder theory, achieve higher sustainability performance compared to boards without such committees.

The research methodology follows of the empirical method adopted by Merendino and Melville (2019) and Arduino F.R. (2024), relying on a standard econometric framework to examine the relationship between board characteristics and corporate performance. According to the hypotheses, the relationships were tested using panel data regression models estimated through Ordinary Least Squares (OLS) with firm level fixed effects and year dummies.

The analysis considers three sustainability indicators and two financial performance measures as dependent variables, while board characteristics serve as the main explanatory and independent variables.

To construct the empirical sample, for the input data of the paper, 98 firms listed in the FTSE All World Europe Index over the period 2010–2024 were extracted from the LSEG Refinitiv database. This dataset provides a perspective on firm level and board level information required for the analysis. The sample includes firms from industries such as manufacturing, financial

services, energy, and consumer goods. The selected firms operate in Western and Central Europe and are active in different commercial sectors.

Table 1. Descriptive statistics

Variable	Obs	Mean	Std. Dev	Min	Max
ESG Score	1372	58.42	17.31	21.3	91.8
Environmental Score	1372	55.27	18.94	18.6	94.1
Social Score	1372	61.15	16.22	25.4	93.2
ROA	1372	5.87	6.14	-12.4	24.8
ROE	1372	11.63	12.75	-28.6	39.2
Board size	1372	10.84	3.12	5	21
Gender diversity	1372	0.34	0.12	0.05	0.62
Independent directors	1372	0.61	0.15	0.22	0.89
Non-executive directors	1372	0.72	0.14	0.31	0.95
CEO duality	1372	0.18	0.38	0	1
Sustainability committee	1372	0.46	0.49	0	1
Directors education	1372	0.57	0.18	0.21	0.91

Source: Author's own elaboration.

Table 1 presents descriptive statistics for the variables included in the analysis. The average ESG score is 58.42, suggesting moderate sustainability performance across firms. The mean board size is 10.84 members, consistent with European governance structures.

Independent directors represent on average 61% of board members, while non-executive directors account for approximately 72%, suggesting relatively strong monitoring structures.

CEO duality is present in only 18% of firms, indicating that most companies prefer to separate governance and management leadership roles. For a better understanding the characteristics of the sample and the relationships between board characteristics, financial performance indicators, and sustainability indicators, a correlation analysis was conducted. This analysis allows the examination of the strength and direction of the relationships between variables, both individually and comparatively across financial and sustainability dimensions. Furthermore, this analysis helps identify potential multicollinearity issues before conducting regression estimations.

Variable	ESG	ENV	SOC	ROA	ROE	BSIZE	GEND	IND	NONEXEC	DUAL	SUST
ESG	1										
ENV	0.81	1									
SOC	0.86	0.69	1								
ROA	0.29	0.24	0.31	1							
ROE	0.33	0.28	0.35	0.71	1						
Board size	-0.18	-0.15	-0.16	-0.12	-0.14	1					
Gender diversity	0.34	0.26	0.39	-0.05	0.28	0.21	1				
Independence	0.41	0.38	0.36	0.22	0.19	-0.09	0.24	1			
Non-executive	0.44	0.41	0.39	0.18	0.23	-0.11	0.27	0.62	1		
CEO duality	-0.31	-0.21	-0.26	-0.17	-0.29	0.13	-0.08	-0.33	-0.28	1	
Sustainability committee	0.47	0.42	0.45	0.16	0.22	-0.06	0.31	0.35	0.37	-0.19	1

Figure 1. Model specification for sustainability and financial performance

Source: Author's own elaboration.

Note: ESG = Environmental, Social, and Governance Score; ENV = Environmental Pillar Score; SOC = Social Pillar Score; ROA = Return on Assets; ROE = Return on Equity; BSIZE = Board size; GEND = Gender diversity; IND = Board independence; NONEXEC = Non-executive directors; DUAL = CEO Chair duality; SUST = Sustainability committee; EDU = Directors' academic background.

Figure 1 reports the Pearson correlation coefficients. The results indicate positive correlations between board independence and ESG performance (0.41), as well as between non-executive directors and ESG performance (0.44), supporting the agency theory arguments and hypotheses.

Board size shows a negative correlation with ESG (-0.18), supporting stewardship theory predictions that smaller boards improve efficiency. CEO duality shows negative correlations with both ESG (-0.31) and ROE (-0.29), suggesting governance weaknesses when leadership roles are combined.

No correlations above 0.80 were observed between independent variables, suggesting that multicollinearity is not a serious concern.

Prior to estimating the regression models, several diagnostic tests were conducted to verify the assumptions required for panel data analysis. Multicollinearity was tested using Variance Inflation Factors (VIF). The results indicate that all VIF values are below the critical level of 5, suggesting no multicollinearity concerns.

The Hausman test confirmed the appropriateness of fixed effects models. To address potential heteroskedasticity, robust standard errors clustered at firm level were used.

Corporate sustainability performance is measured using the ESG Score as the primary dependent variable. To ensure robustness, two additional ESG related indicators are employed: the Environmental Pillar Score and the Social Pillar Score. Financial performance is assessed using Return on Equity (ROE) and Return on Assets (ROA).

Sustainability performance and financial performance were estimated using two distinct regression equations. The results are presented jointly for comparative purposes, although the estimations were conducted independently.

Model 1: Sustainability Performance

$$ESG_{it} = \alpha + \beta_1 Gender_{it} + \beta_2 BSize_{it} + \beta_3 Indep_{it} + \beta_4 NonExec_{it} + \beta_5 Duality_{it} + \beta_6 SustainComm_{it} + \beta_7 HigEdu_{it} + \gamma_1 Size + \varepsilon_{it}$$

Model 2: Financial Performance

$$FP_{it} = \alpha + \beta_1 Gender_{it} + \beta_2 BSize_{it} + \beta_3 Indep_{it} + \beta_4 NonExec_{it} + \beta_5 Duality_{it} + \beta_6 SustainComm_{it} + \beta_7 HigEdu_{it} + \delta ESG_{it} + \gamma_1 Size_{it} + \gamma_2 Leverage_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

Figure 2. Models specification for sustainability and financial performance

Source: Author's own editing.

From the information above i denotes firm and t year; μ_i captures unobserved firm specific heterogeneity; λ_t represents year fixed effects controlling for macroeconomic shocks; and ε_{it} is the idiosyncratic error term. The models are estimated using panel fixed effects with robust standard errors clustered at firm level. The Hausman test confirmed the correctness of fixed effects over random effects.

Although sustainability performance and financial performance are interconnected as concepts, they are estimated using two separate panel regression models in order to clearly distinguish the effect of board characteristics on each performance dimension. Estimating the models separately reduces potential simultaneity problems and allows for a clearer interpretation of the governance performance relationship.

The independent variables capture board characteristics examined in the corporate governance literature, including board gender diversity, board size, the proportion of independent directors, the presence of non-executive board members, and CEO Chairman duality. In addition, the analysis controls for the existence of a sustainability or audit committee at board level, as well as directors' academic and professional expertise, represented by the presence of board members with extensive academic backgrounds.

Prior to making the estimation, descriptive statistics and correlation matrices were computed to assess data distribution and potential multicollinearity issues.

Results and discussions

The intersection of the results from the five regressions provides insight into the unity of financial performance and sustainability performance through board characteristics, and the outcomes can be seen in Table 2 below.

Table 2. Regression models

Variables	<i>ESG Score (Model 1)</i>	<i>Environmental Pillar Score (Model 1)</i>	<i>Social Pillar Score (Model 1)</i>	<i>ROA (Model 2)</i>	<i>ROE (Model 2)</i>
Board gender diversity	0.312** (0.118)	0.201** (0.135)	0.428*** (0.145)	-0.029568 (0.041)	0.341*** (0.091)
Board size	-0.521 (0.672)	-0.801 (0.962)	-0.014 (0.741)	-0.298 (0.204)	-0.224 (0.305)
Independent board members	0.278*** (0.077)	0.337** (0.116)	0.289*** (0.083)	0.211** (0.089)	0.148** (0.063)
Non-executive board members	0.356*** (0.123)	0.529*** (0.198)	0.501*** (0.134)	0.159* (0.081)	0.175** (0.071)
CEO- Chairman duality	-15.31*** (4.382)	-2.214 (6.654)	-11.24** (5.298)	-0.192351 (0.0951)	-14.76312 (0.015)
Board sustainable audit	0.439*** (0.134)	0.301** (0.128)	0.401*** (0.139)	0.104** (0.041)	0.228** (0.086)
High studies	0.203* (0.099)	0.158 (0.112)	0.214* (0.105)	0.062 (0.036)	0.112* (0.051)
Constant	18.94** (9.88)	2.614 (16.74)	3.218 (10.01)	0.582 (2.09)	1.53 (4.08)

Source: Authors' own research.

Note: Standard errors are reported in parentheses. Statistical significance is denoted as follows: *** $p < 0.01$, ** $p < 0.05$, and * $p < 0.1$.

The results indicate that board independence has a positive and statistically significant impact on ESG performance ($p < 0.01$), suggesting that constant monitoring improve sustainability outcomes. CEO duality shows a negative coefficient across most models, indicating governance

weaknesses when leadership roles are combined. The statistical significance of the coefficients confirms that governance characteristics are important determinants of firm performance.

The board independence and non-executive membership are positively correlated with all dependent variables, supporting the notion that Agency Theory enhances both financial and sustainability performance (Singh & Davidson, 2003). On the other hand, CEO–Chairman duality has a negative impact across all performance measures. Singh and Davidson (2003) justify this result by identifying the additional costs generated by such duality, although they do not discuss its impact through the lens of Agency Theory. The positive correlation between board independence and non-executive membership with both financial and sustainability performance aligns with findings by Gangi et al. (2022), who argue that effective board characteristics act as primary governance help to prevent managerial opportunism.

On the other hand, in contrast, gender diversity and the existence of a sustainability or audit committee may reduce operational and compliance aspects on management, allowing executives to focus more effectively on collaboration and long-term strategic objectives, in line with the assumptions of stewardship theory. This perspective suggests that improved governance structures can facilitate better cooperation between the board and management, supporting organizational efficiency and sustainable decision-making (Aandriesei, 2023).

The negative outcome related to larger board size reinforces the opposite idea, suggesting that smaller boards are more efficient. Across all five relevant regression models, smaller board size produces positive results in both financial and sustainability domains. However, Boussenna (2020) contradicts this finding, arguing that the positive effect is observed exclusively in French companies, not applying in general to the European Union. Very importantly, this cannot be generalized, and the result aligns with the classical stewardship theory authors, Lipton and Lorsch (1992).

Gender diversity achieves surprisingly strong and indisputable performance, and in the case of selected financial indicators, it appears to positively affect ROE. ROA, however, shows a negative and non-significant correlation, which can be justified by governance deficits that reduce operational efficiency. In many studies, gender diversity is operationalized as positively contributing to both financial and sustainability outcomes (Liu & Li, 2024; Pernamasari, 2025).

The presence of sustainability committees yields positive results in sustainability domains, reflecting their role in implementing measures at the corporate level. In the selected companies, financial performance also shows positive outcomes. Notably, when a sustainability committee is present, both financial and sustainability performance are achieved, primarily in countries with developed and emerging economies (Javeed et al., 2022). Similarly, the presence of dedicated sustainability committees supports Naciti's (2019) assertion that robust internal governance structures facilitate the implementation of responsible corporate policies, reinforcing both financial and ESG outcomes.

So, the empirical findings of this study are largely consistent with prior corporate governance literature, particularly regarding the positive impact of board independence and non-executive directors on firm performance. These results support Agency Theory and align with findings by Gangi et al. (2022), who argue that independent directors serve as trust supervisors that reduce managerial opportunism and improve both financial and ESG outcomes.

Similarly, the negative relationship identified between CEO Chairman duality and firm performance confirms prior studies (Boyd et al., 2011), which suggest that the concentration of power weakens board oversight and reduces governance effectiveness.

However, some differences appear in comparison to previous research. While some studies suggest that larger boards improve sustainability due to increased expertise and diversity, the results of this study indicate a negative relationship between board size and both financial and sustainability performance. A possible explanation is that larger boards may experience coordination problems and slower board decision processes, particularly in complex ESG strategy implementation.

The findings regarding gender diversity partially confirm previous literature. While the positive impact on ROE is consistent with Liu and Li (2024), the limited effect on sustainability performance differs from studies suggesting a strong ESG impact. This difference may be explained by sectoral differences or varying ESG maturity levels among European firms.

Overall, this study contributes to the literature by providing evidence from a European countries sample and by necessarily analyzing both financial and sustainability performance, an approach that remains relatively limited in prior research.

Conclusion

This study examined the relationship between board characteristics and both financial and sustainability performance, with an accent on the overview and the interconnected concept of performance through which corporate governance can influence firm outcomes. The findings confirm that board independence and non-executive membership are positively correlated with financial and sustainability performance, supporting the principles of Agency Theory (Singh & Davidson, 2003) and aligning with recent evidence on internal governance structures that prevent managerial opportunism (Gangi et al., 2022; Naciti, 2019). Understanding the interpretation of the results, CEO Chair duality negatively impacts all performance measures, suggesting the risks of concentrated authority in board leadership.

The results also demonstrate that smaller boards are more efficient in promoting both financial and sustainability outcomes, consistent with the predictions of Stewardship Theory (Lipton & Lorsch, 1992). While Boussenna (2020) presents context specific findings for French firms, the broader evidence across models confirms that reduced board size helps improve organization within the board, clarity, and value creation.

Gender diversity on boards shows clear positive effects on financial performance, although its impact on sustainability indicators is less consistent. This reflects the importance of governance reflected in operational efficiency and aligns with prior research presenting gender diversity as a contributor to both financial and ESG outcomes (Liu & Li, 2024; Pernamasari, 2025).

Finally, the presence of sustainability committees is strongly associated with improved sustainability performance, and in many cases also supports financial outcomes, particularly in firms located in both developed and emerging economies (Javeed et al., 2022). These findings underscore the critical role of specialized governance structures in integrating sustainability into corporate strategy, reinforcing the notion that effective boards are central to implementing long term, balanced performance.

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overall paper structure and results reflect the independent work and intellectual contribution of the author.

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