The Impact of Executive Compensation Incentive and Internal Control on ESG Performance of Listed Companies

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***Abstract*—In this paper, executive compensation incentive and Wind ESG score data of China's A-share listed companies from 2018 to 2022 are used to study the impact of executive compensation incentive and internal control on ESG performance of listed companies. The findings are as follows: executive compensation incentive has a positive promoting effect on ESG performance of enterprises, and internal control plays a part of intermediary role in executive compensation incentive and ESG performance. The results of heterogeneity test show that executive compensation incentive plays a stronger positive role in heavily polluting enterprises, non-state-owned enterprises. On the one hand, this study provides empirical evidence for effectively improving ESG performance from the perspective of executive compensation, and enriching the relevant literature on factors affecting ESG performance. On the other hand, this study expands the function of executive compensation in corporate ESG performance, and verifies the necessity and rationality of Chinese listed companies to continuously improve executive compensation incentive policies from an empirical point of view.**

***Keywords*—executive compensation incentive, Internal control, ESG performance**

I. Introduction

The listed companies play a vital role in our country's economic development. However, in recent years, listed companies in the development of environmental pollution, product quality, corporate internal governance and other related social responsibility problems. Therefore, the social responsibility of listed companies has become a hot issue in the society. At the same time, China's A-share listed companies have been gradually included in the screening scope of international index companies and rating agencies such as MSCI and FTSE Russell. And the rating coverage has been increasing. As of October 2022, under the FTSE Russell ESG scoring system, the average ESG score of 843 Chinese A-share listed companies is about 1.36 (full score is 5), of which 436 companies (accounting for 51.72%) score below 1.3, and the overall ESG score is low. Therefore, what factors will affect the ESG performance of enterprises has become an issue of great concern to the academic community. The existing research focuses more on the economic consequences of ESG performance of enterprises, while few scholars pay attention to the influencing factors of ESG performance. Only some scholars pay attention to the environmental performance and social responsibility performance of listed companies from the perspective of external institutional pressure and corporate governance structure. However, few scholars have studied the impact of executive compensation incentive on listed companies' ESG performance from the perspective of executive compensation incentive.

However, as the operator and decision maker of the enterprise, executive compensation incentive has always been considered as a means of internal governance of the enterprise. Reasonable compensation design can effectively alleviate the principal-agent problem between the operator and the owner of the enterprise. At the same time, internal control, as the institutional basis of corporate governance and the internal self-discipline system of enterprises, has a normative and restrictive effect on the social responsibility related behaviors of listed companies in our country. Then, through the rational design of executive compensation incentives, can enterprises promote the alleviation of agency problems and improve internal control, thereby improving ESG performance? Therefore, this paper studies the impact of executive compensation incentive and internal control on ESG performance from an empirical perspective. On the one hand, it can enrich the relevant research on executive compensation incentive of listed companies in China. On the other hand, this study has important practical significance for improving ESG performance of listed companies in China.

II. Theoretical Analysis and Research Hypothesis

A. Executive Compensation Incentives and ESG Performance

From the perspective of pursuing economic interests, ESG investment and ESG practice will occupy the funds of enterprises' daily business activities. In the short term, it will lead to the increase of enterprise operating costs and the decrease of accounting earnings. Therefore, in order to pursue short-term economic benefits, the management will carry out opportunistic behaviors and reduce the investment in ESG practice, which is not conducive to improving the ESG performance of the enterprise. However, based on the compensation incentive theory and the hierarchy of needs theory. On the one hand, the physiological and safety needs of senior managers in listed companies have been met, while the demand for respect and self-realization is more intense. On the other hand, the perfect salary incentive system of listed companies will make the senior managers perceive the fairness and reasonability of the internal system of the company, so as to mobilize their enthusiasm for work and reduce their opportunistic behaviors. Thus, enterprises can be promoted to actively carry out social responsibility practices and improve ESG performance.

Principal-agent theory, as the logical starting point of modern corporate governance system, requires the owner of a company to transfer the right of management to the manager. However, the principal-agent theory is based on the asymmetric information game theory, and there is

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information asymmetry between the operator and the owner, and the operator may take advantage of the information to carry out self-interested opportunistic behavior. And executive compensation incentives will help alleviate agency problems and reduce managers' opportunistic behaviors (Yuan, 2022). In order to alleviate agency problems, owners of enterprises will encourage executives to pay and improve compensation contracts. For the purpose of getting high remuneration, managers will maintain corporate reputation, abide by relevant laws and regulations of corporate governance, disclose corporate ESG information in a timely manner (Sha, 2017), and promote enterprises to carry out ESG practices. Thus improving the ESG performance of enterprises. Therefore, this paper proposes the following hypothesis:

H1: Executive compensation incentive has a positive impact on ESG performance of enterprises

B. Executive Compensation Incentive and Internal Control

Internal control was the first to produce the idea of internal restraint, and it was applied to every link of enterprise production and operation. Internal control has gone through a long development period in our country. the early internal control is mainly for accounting and audit service, and its research results are more used in audit efficiency, audit cost control and audit procedure and methods. With the development of China's economy and the continuous improvement of the western internal control system, the overall structure of internal control is mainly composed of five elements: internal environment, risk assessment, control activities, information and communication, and internal supervision. It can be seen that the establishment of executive compensation incentive system is closely related to internal control, and relevant studies have shown that there is a significant positive correlation between executive compensation incentive and internal control (Henry, 2011). Further research finds that reasonable compensation incentives can improve the effectiveness of internal control by improving the company's internal governance structure (Voluntarine, 2021).

Under the principal-agent relationship, shareholders entrust the management of the company to the senior management of the company, and the senior management of the company will then delegate the power to each department and supervise the business activities of each department. Therefore, the senior management plays an important role in the implementation of the company's internal control system. However, the incentive compatibility theory holds that every rational economic man has self-interest in the market economy, and there is an institutional arrangement that makes the actor's pursuit of his own interests coincide with the enterprise's collective maximization of interests. On the other hand, incentives for senior executives bind the interests of managers with the interests of enterprises, and combine their own interests with the maximization interests of enterprises. In order to avoid production and operation risks, senior executives will seriously implement the internal supervision system of internal control, thus improving the effectiveness of internal control of enterprises. Therefore the following hypothesis is proposed in this paper:

H2: Executive compensation incentive has a positive impact on internal control

C. The Intermediary Role of Internal Control

According to the theory of optimal compensation contract, executive compensation incentive of listed companies can alleviate the principal-agent problem under the modern corporate system. However, the design of the compensation system of listed companies is imperfect, and the operation and management behavior of company executives may be to pursue the maximization of personal interests rather than the maximization of corporate shareholders' interests, leading to agency problems under the principal-agent relationship. On the one hand, the emergence and continuous improvement of internal control is to solve the principal-agent problem under the principal-agent relationship, make up for the lack of compensation contract design, alleviate agency problems and reduce agency costs. According to the theory of psychological contract, the higher the incentive intensity of listed companies for senior managers, the higher the satisfaction of senior managers with their work, which can stimulate the enthusiasm of senior personnel to carry out ESG practice, make more reasonable production and operation decisions, and avoid corresponding losses due to social responsibility breach.

On the other hand, in order to prevent the enterprise from suffering production and operation risks, senior executives will seriously implement the risk control mechanism of internal control (Ding, 2007). Relevant studies at home and abroad also show that basic executive compensation incentives are conducive to improving the effectiveness of internal control (Henry, 2011). As the institutional basis of corporate governance and the internal self-discipline system of enterprises, internal control promotes the company to continuously improve internal governance and supervise the behavior of senior managers, thus stimulating the enthusiasm of senior managers of listed companies to undertake social responsibilities. Actively carry out ESG practice in the company's operation process, increase the company's ESG investment, so as to improve the performance of listed companies in ESG. Therefore, the following hypothesis is proposed in this paper:

H3: Internal control plays an intermediary role in the relationship between short-term executive compensation incentives and ESG performance

III. Research Design

A. Sample Selection and Data Source

This paper takes the A-share listed companies of Shanghai and Shenzhen stock exchanges in China from 2018 to 2022 as research samples. On this basis, ST*, ST class companies, listed companies in the financial industry, missing data and companies listed after 2018 are excluded, and finally collects 6,910 sample data of 1382 listed companies. The internal control data in this paper are from the internal control database of DIB database, the data related to ESG performance is from the Wind database, and the remaining data is from the CSMAR database. In order to exclude the influence of extreme values on the regression results, all continuous variables were Winsorize at 1% and 99% points in the regression analysis. The data processing software used was stata16.0.

B. Variable Definition and Model Construction

1) Explained variables

The explained variable in this paper is ESG performance. Referring to the study of Liu (2023), the comprehensive score of ESG in Wind database is adopted as the proxy variable and logarithmic processing is carried out on it. Compared with other ratings, ESG ratings in Wind database cover a comprehensive range of information resources, including self-disclosed information of listed companies, government and regulatory authorities, news media, online public opinion, etc., providing more comprehensive ESG rating data. Secondly, big data and artificial intelligence technologies as well as rigorous data quality inspection processes and standards are used to ensure the timeliness and accuracy of data processing.

2) Explain variables

Senior managers refer to those who hold important positions in the company's management, are responsible for the company's operation and management, and hold important information about the company. The executive compensation incentive mentioned in this paper mainly refers to the monetary compensation incentive of the senior executive, that is the short-term compensation incentive of the senior executive. This paper uses the logarithm of the top three monetary compensation of the senior executive for reference to the practice of Sha (2017), excluding the allowance of the senior executive.

3) Mediating variables

The intermediary variable in this paper is internal control. Referring to the practice of Wu Lijun and Bu Hua (2019), the "Internal control index" in DIB's "Internal Control Index of Listed Companies in China" is adopted as the substitute variable for internal control. In order to ensure the robustness of the research results, the DIB internal control Score Index was divided by 100.

4) Control Variables

With reference to the practice of Li (2017), this paper mainly controls other factors affecting enterprise ESG performance from the perspective of corporate financial status, including sales Growth rate (Growth), asset-liability ratio (Lev), Cash level (Cash), company Age (Age), Enterprise nature (State), ownership concentration (OC), and company Size (Size). In order to further control unobservable factors that do not vary with industry and time, two dummy variables of industry and time are added to the model.

5) Construction of the model

Based on the above analysis, executive compensation incentives and internal control may have an impact on ESG performance of enterprises. Therefore, this paper refers to Wen (2004) mediation effect model, constructs the following regression model, and adopts step by step regression method to test the mediating role of internal control.

$$ESG_{i,t} = \alpha_0 + \alpha_1 Lnpay_{i,t} + \sum Controls_{i,t} + \sum Year + \sum Industry + \varepsilon \quad (1)$$

$$IC_{i,t} = \alpha_0 + \alpha_1 Lnpay_{i,t} + \sum Controls_{i,t} + \sum Year + \sum Industry + \varepsilon \quad (2)$$

$$ESG_{i,t} = \alpha_0 + \alpha_1 Lnpay_{i,t} + \gamma_2 IC_{i,t} + \sum Controls_{i,t} + \sum Year + \sum Industry + \varepsilon \quad (3)$$

Table 1. Variable definitions and related descriptions

Types	Name	Symbols	Definitions
Explained variable	ESG performance	ESG	The Wind ESG composite score is taken in logarithm
Explanatory variables	Executive compensation incentives	Lnpay	Logarithm of top three monetary compensation for an executive
Mediating variable	Internal controls	IC	The internal control index of Dibo listed company is taken as the natural logarithm
Control Variables	Asset-liability ratio	Lev	Liabilities/Assets
	Cash level	Cash	Money funds/total assets
	Age of company	Age	Year - Listing year +1
	Nature of business	State	The value is 1 for state-owned enterprises and 0 for non-state-owned enterprises
	Ownership concentration	OC	Proportion of the largest shareholder
	Industry nature	Ind	Heavy polluters take 1 otherwise take 0
	Company size	Size	Natural log of total assets
	Annual	Year	Year dummy variable
	Industry	Industry	Industry dummy variables

IV. Empirical Analysis

A. Descriptive Statistical Analysis and Correlation Analysis

1) Descriptive statistical analysis

Table 2 shows the descriptive statistical results of the variables in the model. The maximum value of ESG performance is 2.126, the minimum value is 1.541, and the average value is 1.823, indicating that there is a certain gap between the ESG performance of most enterprises in China and the current best level. The minimum value and maximum value of executive compensation incentive of listed companies in China are 1.736 and 5.416, indicating that there is a large gap in executive compensation incentive of listed companies in China. The maximum value of internal control is 6.738, the minimum value is 5.213, and the average value is 6.472, which indicates that there is a large gap in the internal control of the sample companies. In addition, there is an imbalance between the internal control and ESG performance of listed companies, which provides an opportunity for us to study the relationship between them.

Table 2. Descriptive statistical results

Variables	Observed amount	Mean	Median	Standard deviation	Minimum	Maximum
ESG	6663	1.823	1.818	0.116	1.541	2.126
Lnpay	6663	3.285	3.227	0.646	1.736	5.416
IC	6663	6.472	6.496	0.143	5.213	6.738
Lev	6663	0.417	0.414	0.186	0.0620	0.891
OC	6663	32.74	30.40	14.12	7.110	71.92
State	6663	0.384	0	0.486	0	1
Ind	6663	0.310	0	0.463	0	1
Size	6663	22.55	22.36	1.341	20.07	26.77
Age	6663	12.44	11	7.721	1	29

2) Correlation coefficient matrix

Table 3 shows the correlation analysis results of the variables included in the model, and it is found that the executive compensation incentive of listed companies in China has a significant impact on ESG performance. As can be seen from Table 3, the control variables selected in this paper are significantly correlated with the ESG performance of listed companies in China. Therefore, the effectiveness of the study on the impact of executive compensation incentives on ESG performance can be improved by controlling these control variables.

Table 3. Correlation coefficient matrix

Variables	ESG	Lnpay	IC	Lev	OC	State	Ind
ESG	1						
Lnpay	0.249***	1					
IC	0.131***	0.154***	1				
Lev	0.051***	0.137***	0.0130	1			
OC	0.077***	0.0200	0.119***	0.058***	1		
State	0.123***	0.043***	0.039***	0.245***	0.259***	1	
Ind	0.054***	0.0190	0.0140	0.054	0.052***	0.041***	1
Size	0.305***	0.446***	0.176***	0.499***	0.219***	0.384***	0.111***
Cash	0.043***	0.026**	0.056***	0.265	0.034***	0.00400	0.116
Age	0.123***	0.182***	0.00200	0.285***	0.067***	0.505***	0.116***
	Size	Cash	Age				
Size	1						
Cash	0.157	1					
Age	0.483***	0.044	1				

*Note: ***, ** and * are significant at 1%, 5% and 10% respectively, the same below*

3) Multicollinearity test

The variance inflation factor method was used to conduct multicollinearity test on the model, as shown in Table 4, VIF values were all less than 10. Therefore, there is no multicollinearity problem in this model, and regression analysis can be performed.

Table 4. Results of multicollinearity test

Variables	VIF	1/VIF
IC	1.07	0.932631
Size	2.23	0.447448
Lev	1.47	0.678309
State	1.50	0.664714
Lnpay	1.34	0.745895
OC	1.14	0.874196
Age	1.60	0.624197
Cash	1.12	0.891526
Ind	1.06	0.940255

B. Analysis of Basic Regression Results

Table 5. Baseline regression results

Variables	(1) ESG	(2) ESG	(3) IC	(4) ESG
Lnpay	0.043*** (18.7558)	0.022*** (9.0965)	0.018*** (5.0516)	0.021*** (8.2752)
IC				0.045*** (4.3664)
_cons	1.610*** (117.2014)	1.115*** (35.5263)	5.787*** (99.4729)	0.880*** (12.8721)
Control variables	Yes	Yes	Yes	Yes
Time effect	Yes	Yes	Yes	Yes
Industry effect	Yes	Yes	Yes	Yes
N	6885	6885	6663	6663
r2	0.162	0.206	0.094	0.202

Table 5 shows the regression analysis of the impact of executive compensation incentive and internal control on ESG performance of listed companies in China. Column (1) reports that before adding control variables to model 1, the regression coefficient of executive compensation incentive on internal control is 0.043, which is significant at 1% level, and the decision coefficient is 0.162. Column (2) reports the regression result of executive compensation incentive on

ESG performance after the addition of control variables, which is significantly positive at 1% level, indicating that executive compensation incentive has a positive promoting effect on ESG performance of listed companies in China, and verifies hypothesis 1. Its decision coefficient is 0.206, and its degree of fitting is higher than before the addition of control variables, which verifies the rationality of adding control variables. Column (3) in the table reports the impact of model 3 on the internal control of listed companies' executive compensation incentives, which is significantly positive at the level of 1%, indicating that executive compensation incentives have a positive promoting effect on the internal control of listed companies, and verifies hypothesis 2. Column (4) in the table reports that model 3 internal control plays an intermediary role in executive compensation incentive and ESG performance, and it can be seen from column (4) that the influence of internal control on ESG realization is significantly positive at 1% level. To sum up, the regression results of columns (2), (3) and (4) are all significantly positive at the 1% level, and the regression coefficients of the three models are all significant. Therefore, Soble test is no longer carried out, and the role of internal control as a partial intermediary between executive compensation incentive and ESG performance validates hypothesis 3.

C. Robustness Test

1) Change the measurement method of the core explained variable

In the previous study, ESG performance was measured using the Wind ESG composite score and measured by logarithm. This paper attempts to further test the robustness of the research, and uses the ESG rating of China Securities to measure the ESG performance of enterprises by referring to the practice of Gao (2022). The regression results of robustness test are shown in column (1) of Table 6. The regression results of executive compensation incentive and internal control on ESG performance of enterprises are significantly positive at the level of 1%, that is, executive compensation incentive has a positive promoting effect on ESG performance. Consistent with the conclusions above, the robustness of this study is indicated.

2) Change the measure of explanatory variables

In the previous research, the logarithm of the top three executives' compensation is used to measure. In the robustness test, it is replaced with the logarithm of the compensation of the top three executives. The regression results are shown in column (1) of Table 6. The regression results of executive compensation incentive and internal control on ESG performance are significantly positive at the level of 1%, and executive compensation incentive has a positive promoting effect on ESG performance. Consistent with the conclusions above, the robustness of this study is indicated.

3) Lag explained variable

In order to verify the robustness of the research conclusions of this paper, this paper will study the relationship between the explained variable ESG performance and ESG performance with a lag of one and two periods respectively. Through regression, it is found that the executive compensation incentive has a significant positive effect on the ESG performance of the one-stage lag at 1% level, and the executive compensation incentive has a significant positive effect on the ESG performance of the two-stage lag at 1% level, which verifies the above mentioned executive compensation incentive has a significant positive promoting effect on ESG performance, indicating that the research conclusion of this paper is robust.

Table 6. Robustness test

Variables	(1)	(2)	(3)	(4)
	Replace explaind variable	Replace explaind variables	L.ESG	L2.ESG
Lnpay	0.062***		0.017***	0.012***
	(2.625)		(6.437)	(3.729)
Lnpa1		0.017***		
		(7.5690)		
_cons	4.919	1.111***	1.124***	1.194***
	(17.7644)	(34.9636)	(33.8562)	(30.6745)
Control variabs	Yes	Yes	Yes	Yes
Time effect	Yes	Yes	Yes	Yes
Industy effect	Yes	Yes	Yes	Yes
N	6885	6885	5508	4131
r2	0.231	0.203	0.239	0.213

D. Endogeneity Test

Through the analysis of the basic regression results, this paper has basically confirmed the relationship between executive compensation incentive and ESG performance: executive compensation incentive has a positive promoting effect on ESG performance. However, considering that the research results of this paper may have endogeneity problems, this paper chooses L.LnPay, which lags one year, as the instrumental variable of Lnpay, and carries out a two-stage regression. The first column of Table 7 shows the regression results of the first stage. There is a positive relationship between L.L.Pay, which lags one year, and Lnpay, which is significant at the level of 1%. The second column shows the regression results of the second stage. It is found that the coefficient of influence between executive compensation incentive (Lnpay) and ESG performance is 0.029, and it is significant at 1% level. The positive promoting effect of executive compensation incentive on ESG performance still exists, which further supports the research conclusion of this paper.

Table 7. Results of the two-stage regression

Variables	(1)	(2)
	Lnpay	ESG
L.Lnpay	0.830***	
	(95.0642)	
Lnpay		0.029***
		(8.9129)
_cons	0.656	1.093***
	(4.4017)	(31.2613)
Control variables	Yes	Yes
Time effect	Yes	Yes
Industry effect	Yes	Yes
N	5505	5505
r2	0.796	0.214

E. Heterogeneity Test

Considering the industry and nature of the enterprise has an important impact on the performance of executive compensation incentive governance and ESG performance of the enterprise. On the basis of the above research, this paper further distinguishes the industry and the nature of the enterprise for research.

First of all, this paper divides the sample enterprises into non-heavy polluting industries and heavy polluting industries for research. As shown in Table 8 (1) and (2), regardless of non-heavy polluting industries or heavy polluting industries, the regression coefficient of executive compensation incentive on enterprise ESG performance is significantly positive, indicating that executive compensation incentive has a positive promoting effect on enterprise ESG performance. However, from the size of the regression coefficient, the positive promoting effect of executive compensation incentive on ESG performance is slightly stronger in heavily polluting enterprises than in non-heavily polluting enterprises, indicating that executive compensation incentive of listed companies in heavily polluting industries has a stronger positive effect on ESG performance. This is consistent with the conclusion of Li (2017) study on the relationship between internal control and social responsibility information disclosure. Listed companies in heavily polluting industries are more concerned by the government and the public, and have higher environmental default costs. Giving incentives to senior executives will enhance the enthusiasm of management in environmental, social and corporate governance, thus improving the ESG performance of enterprises.

Table 8. Sample group regression results

Variables	(1)	(2)	(3)	(4)
	Non-heavy pollution	Heavy pollution	Non-state-owned enterprises	State-owned enterprises
Lnpay	0.021***	0.026***	0.026***	0.015***
	(6.8385)	(6.1033)	(8.7660)	(3.2303)
_cons	1.086***	1.245***	1.211***	1.037***
	(29.2984)	(22.6274)	(26.0568)	(22.5018)
Contol variables	Yes	Yes	Yes	Yes
Time effect	Yes	Yes	Yes	Yes
Industry effect	Yes	Yes	Yes	Yes
N	4735	2150	4213	2672
r2	0.210	0.195	0.203	0.242

V. Research Conclusions and Countermeasures

A. Research Conclusions

Based on the relevant data of Chinese listed companies from 2018 to 2022, this paper empirically studies the impact of executive compensation incentive and internal control on ESG performance of A-share listed companies. The main conclusions are as follows: (1) executive compensation incentive can promote the improvement of ESG performance; (2) executive compensation incentive can promote the improvement of internal control quality; (3) Internal control has a partial mediating effect between executive compensation incentive and ESG performance; (4) Further research shows that executive compensation incentive plays a stronger positive role in heavily polluting enterprises and non-state-owned enterprises than in non-heavily polluting enterprises and state-owned enterprises. This indicates that the ESG performance of heavily polluting enterprises and non-state-owned enterprises is affected by the executive compensation incentive, and the executive compensation incentive is conducive to standardizing the ESG performance behavior of enterprises and improving the level of ESG information disclosure of enterprises. On the one hand, this study provides empirical evidence for effectively improving ESG performance from the perspective of executive compensation incentives, and enriching the relevant literature on factors affecting ESG performance. On the other hand, this study expands the functional role of executive compensation incentive in corporate ESG performance, and verifies the necessity and rationality of Chinese listed companies to continuously improve executive compensation incentive from an empirical point of view.

B. Countermeasure Suggestions

ESG performance and executive compensation incentives of listed companies in China are currently hot topics in academic research. Existing literature has studied the economic consequences of ESG performance from many aspects such as enterprise value and investment efficiency, but few literatures have studied the impact of corporate governance factors on ESG performance. According to the research conclusions of this paper, executive compensation incentive, as an important factor of corporate governance, and internal control, as an institutional system of corporate internal management, have a good promoting effect on ESG performance. Therefore, this paper puts forward the following policy recommendations:

On the one hand, enterprises should establish and perfect their own internal control system. With the development of economy and society, internal and external stakeholders are paying more and more attention to ESG performance of enterprises, and ESG information disclosure is one of the important information sources for relevant parties to understand the situation of enterprises. Therefore, enterprises should strengthen the internal control system of ESG performance, make up for the weakness of the external supervision system of ESG performance, institutionalize and standardize the ESG behavior of enterprises, and continuously create and enhance the enterprise value to meet the interests of stakeholders.

On the other hand, enterprises should establish and improve the internal salary system. In the process of establishing and improving the internal control system, it is also the key to improve the executive compensation incentive system. The executive compensation incentive system is closely related to the agency issue. In order to promote the executives to take the sustainable development of the enterprise as their responsibility, listed companies should take the initiative to improve the compensation incentive system. Formulate a reasonable executive compensation structure, improve the executive compensation incentive system and performance appraisal system of listed companies, and establish a diversified and advancing salary incentive system. In particular, for non-state-owned enterprises, a more fair and reasonable compensation incentive system should be established, and a short-term and long-term compensation incentive system should be established to better constrain the behavior of senior managers of listed companies.

Conflict of Interest

The author declares no conflict of interest.

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