

SESSION: ESG PRACTICES

**THE MODERATING ROLE OF ESG
DISCLOSURE AND BOARD
GOVERNANCE ON THE RELATIONSHIP
BETWEEN COUNTRY-OF-ORIGIN IMAGE
AND CONSUMERS' WILLINGNESS-TO-
PAY OF CHINESE ELECTRIC CARS:
A CONCEPTUAL FRAMEWORK**

Alfredo Celentano *, Michela Matarazzo *

* University of Studies Guglielmo Marconi, Rome, Italy



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Abstract

Chinese electric vehicle manufacturers entering Europe face a persistent country-of-origin (COO) stigma that can depress perceived product quality (PPQ) and willingness-to-pay (WTP) (Verlegh & Steenkamp, 1999). This conceptual study argues that credible environmental, social, and governance (ESG) disclosure, under robust board oversight, attenuates the symbolic distance between COO and European stakeholder expectations, thereby strengthening the COO, PPQ, WTP chain. We also consider “upward offshoring”, the localization of manufacturing and supply in the EU, as a governance-relevant strategic complement that makes disclosed commitments observable in practice (Pavlínek, 2018). In line with legitimacy and stakeholder perspectives, non-financial reporting operates ensure social acceptance when it is

decision-useful and trustworthy. To curb skepticism and greenwashing concerns, disclosure credibility must be actively governed (Delmas & Burbano, 2011).

1. THEORETICAL FRAMING

We integrate signaling, institutional, and legitimacy perspectives within a corporate governance lens. First, signaling theory suggests that decision-useful, assured environmental, social, and governance (ESG) disclosure reduces information asymmetry and lifts the credibility of quality and responsibility claims (Delmas & Burbano, 2011). Second, institutional theory implies that fit with EU norms, supply-chain due diligence, worker rights, lifecycle emissions, circularity, facilitates acceptance by consumers, investors, and regulators (Ahmed & Courtis, 1999). Third, legitimacy theory underscores the importance of congruence between what firms disclose and what they do; localization ties narratives to tangible actions, reinforcing perceived quality (Suchman, 1995). We explicitly position board oversight as the governance mechanism that designs and assures this disclosure operations alignment, limiting greenwashing and greenhushing risks (Falchi et al., 2022). Empirically, board attributes, independence, gender diversity, and the presence of a corporate social responsibility (CSR) /ESG committee are repeatedly associated with more extensive or higher-quality non-financial disclosure (Cheng & Courtenay, 2006), though effect sizes vary across countries and measurement choices.

2. CONCEPTUAL MODEL AND HYPOTHESES DEVELOPMENT

We posit that ESG disclosure quality, materiality, comparability, verifiability/assurance, and timeliness weaken the negative country-of-origin (COO) effect on perceived product quality (PPQ) and, through PPQ, raise willingness-to-pay (WTP). Three mechanisms drive this effect:

1. *Informational credibility*: Board-supervised materiality builds trust and curbs scepticism; European evidence links board independence and CSR/ESG committees to higher quality of disclosure.

2. *Institutional adaptation*: EU salient disclosures (traceability, human rights protection, renewable energy, etc.) signal compliance and amplify the reputational benefits of EU footprints.

3. *Experiential strengthening*: Localization makes commitments observable (EU plants, regional suppliers, clean energy contracts), transforming ESG narratives into quality signals that increase PPQ and justify WTP rewards.

This logic also aligns with research showing that credible, context-congruent signals shape perceived quality and value (Sweeney & Soutar, 2001), while governance features condition the credibility of such signals

(Cheng & Courtenay, 2006). Based on this consideration, we developed the following hypothesis:

H1: Chinese COO is negatively associated with PPQ among European stakeholders, reflecting persistent COO stigma.

H2: PPQ is positively associated with WTP; higher quality perceptions translate into higher price acceptance.

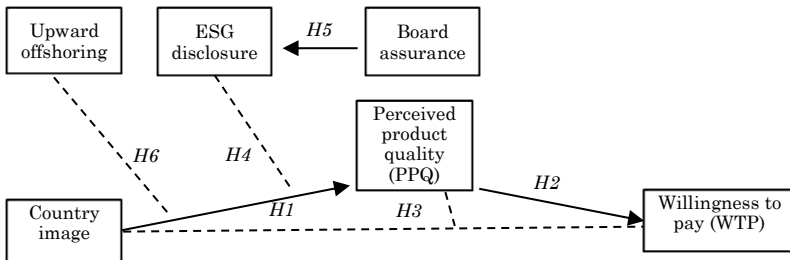
H3: PPQ mediates the COO-WTP relationship such that the indirect effect of a Chinese COO on WTP is negative through reduced PPQ.

H4: ESG disclosure moderates the negative COO→PPQ path: the adverse COO effect on PPQ is weaker at higher levels of disclosure credibility.

H5: Stronger board oversight (e.g., ESG-relevant independence, expertise, and committee structures) is positively associated with the perceived credibility of ESG disclosure.

H6: “Upward offshoring” (EU-based localization of manufacturing/supply) amplifies H4 by making commitments observable locally, it strengthens the mitigating effect of ESG disclosure credibility on the COO→PPQ link; consequently, the conditional indirect effect of COO on WTP by PPQ is weakest when ESG credibility is high and upward offshoring is present.

Figure 1. Proposed conceptual framework



3. CONTRIBUTIONS TO CORPORATE GOVERNANCE

We elevate ESG disclosure oversight to a board-level strategic lever, not merely compliance. The model specifies operationalizable moderators, assurance depth, and localization intensity under the board’s span of control, and clarifies how credible ESG reporting can convert negative country image into legitimacy that translates into PPQ and WTP gains. This bridges international marketing and governance by linking what firms disclose and what they do in host markets, and by identifying board composition and committee design as actionable antecedents of disclosure credibility.

4. MANAGERIAL AND POLICY IMPLICATIONS

Boards should assign clear oversight of double materiality and ESG key performance indicators (KPIs) to the board (audit/ESG) committee; implement internal controls over non-financial data; obtain independent assurance (progressing toward reasonable assurance); align narrative claims with verifiable localization (renewables sourcing, end-of-life programs); and embed ESG KPIs in product-quality dashboards and incentives (Michelon & Parbonetti, 2012). For regulators and standard-setters, comparability and assurance enable markets to price non-financial information and limit greenwashing/greenhushing balances, accelerating acceptance of sustainable mobility in Europe (Font et al., 2017).

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