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Climate-Related Disclosure and Financial Performance: Which One is Affected by CEO Narcissism?

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Abstract

The financial sector has an essential role in the economy and acts as a catalyst in the transition toward economic sustainability. Consequently, the Financial Services Authority (OJK) periodically requires the banking sector to consistently report its financial performance through Financial Reports and its non-financial performance in Sustainability Reports. In this context, the CEO plays a pivotal role in strategic decision-making related to corporate performance, including financial reporting and sustainability disclosure. CEO narcissism is considered an individual psychological characteristic that significantly impacts organizational functions and corporate strategic decisions. This study investigates the impact of CEO narcissism on Climate-Related Disclosure and Financial Performance. Using a sample of 144 observations of banking and financing companies on the Indonesia Stock Exchange (IDX) for 2016–2022. This study uses the Fixed Effect Model as regression estimation model. The results show that CEO narcissism positively affects Climate-Related Disclosure whereas CEO narcissism has no effect on Financial Performance. The upper echelons theory states that CEO psychological characteristics impact organisational functions. This theory supports the relationship between CEO Narcissism and Climate-Related Disclosure that narcissistic CEOs tend to get a good reputation in the public as a leader who is responsive to environmental issues so they encourage the company to provide information related to GHG as a form of corporate responsibility, while in the financial performance, narcissistic CEO decisions are like double-edged sword that might lead either performance increasing or decreasig so the role of Corporate Governance is needed to control CEO decisions which bring beneficial to the company.

Keywords: CEO Narcissism, Climate-Related Disclosure, Carbon Emission Disclosure, Environmental Performance, Financial Performance.

1. BACKGROUND

Climate change is one urgent issue facing the world. For this reason, companies have been pushed to grow more transparent concerning their impact on the environment. In Indonesia, Regulation Number 51/POJK.03/2017 issued by the Financial Services Authority (OJK) mandates that financial institutions should issue sustainability reports, including the carbon footprint, to aid in transitioning toward a more sustainable economy. Moreover, as tangible evidence that carbon risk mitigation exercises have begun, the government has adopted new policies on Climate Risk Management and Scenario Analysis for Financial Sectors. The policy deliberates direct climate-related risk management through the disclosure of climate change impact on business models and organizational strategies in short, medium, and long-term (OJK, 2024). Sustainable investment policies enable the financial sector to encourage companies regarding their management of environmental risks that could affect long-term financial stability (Peraturan Otoritas Jasa Keuangan, 2017). Furthermore, it harnesses its support toward laying the foundation for a transition to sustainable development in that the financial sector is itself potent in influencing the possible direction and allocation of capital for development with sustainability.

A sustainability report serves as a form of information that illustrates how a company manages and mitigates sustainability risks, including environmental risks and carbon emissions, according to business resilience and corporate performance. The disclosure of sustainability reports is considered essential for building investor trust. Such disclosure can enhance stakeholder decision-making by enabling better control and fostering more environmentally friendly economic and non-economic sectors within the company. Consequently, environmental crises can be mitigated and addressed, thereby increasing the company's value alongside a positive perception from both consumers and shareholders regarding the company's sustainability initiatives (Zarefar et al., 2022). Although sustainability reporting can increase investor interest, a company's

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financial performance remains a fundamental factor in investment decisions. The integration of financial and non-financial reporting reflects and demonstrates the company's performance in implementing its business strategies.

The characteristics of the executives, particularly the CEO, are the most influential factors in an organization's decision-making process (S. Kim et al., 2016). The CEO has an essential role in strategic decision-making related to corporate performance through financial reporting and sustainability disclosure. The Upper Echelons Theory posits that executives' personal values, tendencies, and prior experiences, impact executives' decisions which subsequently form organisational strategy choices in alignment with their managerial preferences (Reina et al., 2014; Zhu & Chen, 2015). CEOs i.e., have different personal experiences and psychological characteristics, which often implement their personal values to corporate decision-making (Chin et al., 2013). The actions taken by a company often reflect the psychological characteristics of the CEO (Chatterjee & Hambrick, 2007; Zhou & Wang, 2014). Therefore, the characteristics and values of the CEO, including narcissistic tendencies, are expected to influence the company's involvement in Corporate Social Responsibility (CSR) (Datta & Iskandar-Datta, 2014; Petrenko et al., 2016).

Recent research points out that CEO narcissism is an important psychological trait that influences corporate strategic decisions like hostile takeover policies (Olsen et al., 2014; Reina et al., 2014; Zhu & Chen, 2015). Though generally associated with selfishness and conceit, narcissism can also be bright and useful in the leadership context. The trait of grandiosity, self-ambitious, the need for admiration, and a general absence of empathy is how the American Psychiatric Association defines the narcissism (Grijalva et al., 2015). Some studies have postulated the proposition that narcissistic CEOs can lead to increased shareholder value through innovation and growth (Brunell et al., 2008; Kashmiri et al., 2019) and corporate accounting performance and stock performance (Ham et al., 2018; Olsen et al., 2014). The level of CEO narcissistic may fluctuate according to major life events and individual situations (Bildirici et al., 2024; Giacomin & Jordan, 2016).

Research about the nexus of CEO narcissism on firm outcomes and performances is escalating along with the development of upper echelons theory, shows how psychological traits of top executives influence a variety of organizational functions. Thereby, the influence of the CEO is known to affect the resilience of organizations (Buyl et al., 2019), CSR (Chen et al., 2019), corporate performance (Gupta et al., 2018), financial fraud through earnings management (Lin et al., 2020), corporate earnings announcements (Marquez-Illescas et al., 2019), decision-making speed, and information transfers (Nevicka et al., 2011). Haque (2017) perceived the CEO were having a varying influence over climate change strategies. It has been established that mere decision-making plays an essential part in affecting decisions regarding climate change, including greenhouse gas emissions calculation; determining strategic ambitions, such as carbon project initiatives (Peters & Romi, 2014), and monitoring any responses from the externals (Lewis et al., 2014).

Findings on the relationship between CEO narcissism and firm performance still show unrecapturable results. Shan et al. (2023) contend that the narcissistic CEO has a positive relationship with firm performance. Several studies also reported CEO narcissism positively allied with firm performance (Patel & Cooper, 2014; Shan et al., 2023), while the other study found either a negative relationship (Ham et al., 2018; Reina et al., 2014) or there's no relation between the two (Chatterjee & Hambrick, 2007). Studies on CEO narcissism and climate-oriented disclosure also report diverging results. Lee (2021) claims CEO narcissism positively affects voluntary disclosure related to greenhouse gas (GHG) emissions. Studies by Dabbebi et al. (2022) and Lassoued & Khanchel (2023) also found that highly narcissistic CEOs would disclose more social activities and corporate governance. The implications of these findings might qualify voluntary environmental disclosures, regardless of whether they were made self-agrandising, by management's attention-seeking habit. However, Kind et al (2023) noted that CEO narcissism negatively affected environmental disclosure. Van Scotter & De Déa Roglio (2020) and Homroy & Slechten (2019) postulate that the negative impacts arise because narcissists want to garner attention, even if that attention is related to less than positive things, because such environmental information tends to be very vibrant and thus creates more headlines on negative impact on the environment.

This study bridges the aforementioned gaps in the literature by investigating the impact of CEO narcissism on climate-related disclosures (CRD) as a non-financial performance measurement related to the environment, and its relationship with financial performance using profitability ratios. This study is expected

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to contribute to understanding how CEO psychological characteristics can influence management and reporting of environmental risk as well as assist in developing more effective policies to encourage transparency in sustainability disclosure.

2. LITERATURE REVIEW

Upper Echelons Theory

The Upper Echelons Theory, according to Hambrick & Mason (1984), explains that organizational outcomes can be influenced to some extent by characteristics of top-level management in a given organization. This theory provides a new perspective on organisational theory, which is the reasons the organization acts the way top management does and the reasons the organization does the way top management does. Liu (2023) also states this perspective, the executives of the organizations, comprising value systems, experience, and qualities of individuals, each yield a great influence on strategic decision-making, ultimately affecting organizational performance. This theory argues that executives attempt to decide strategic issues and plan alternative actions by relying on personal values such as their experience and psychological characteristics (Bekos & Chari, 2024; Hambrick, 2018).

Upper Echelons Theory provides certain key concepts that imbue it with its original insight. Upper Echelons Theory involves a somewhat linear formula whereby circumstances faced with high management team influence strategic choices that have implications for organizational performance (Carpenter et al., 2004). Three major tenets of the Upper Echelons Theory are: (1) the strategic options of an organization mirror the values and cognitive bases of powerful actors; (2) Those are, thus, shaped by observable characteristics (like education or work experience), or the personal circumstances of a particular actor; and (3) Several major organisational outcomes will be tied to such noticeable characteristics. Thus, the proposition states that the performances of the organization depend upon the characteristics of the senior manager, which provides a field of study into team dynamics in terms of demographic variables.

CEO Narcissism

CEO narcissism tends to influence the extent of narcissism, for example, superiority beliefs, a need for admiration, and overestimating one's talents (Chatterjee & Hambrick, 2007). Generally, highly narcissistic CEOs seek stardom and participate in high-profile, risky strategic decisions to enhance their public persona (Petrenko et al., 2016). In the company's view, the narcissistic CEO would influence the company's strategic directions in any area such as resource allocation, risk-taking, and the degree of information dissemination regarding the successes of the company. Research has linked narcissism in a particular CEO to performance concentrated on the very short term, dictated by a strategic choice of risky decisions with the maximum visibility for the CEO, which is likely to threaten such an organization's sustainability in the long term (O'Reilly et al., 2014). In line with Zainol (2020) that CEO personal characteristics consist of negative or positive traits where narcissistic behaviour has a tendency to be a negative trait.

Brunzel (2021) notes that the overconfidence and narcissism of executives do not significantly impact the levels of company performance. These characteristics interfere with the rational process of decision-making and lead the executives to push for bolder decisions and decisions with meaningful risks. CEOs tend to be overconfident about predicting future results and thus engage aggressively in decision-making that is not best suited for the long-term interests of the firm. Conversely, narcissistic CEOs make decisions for the firm that, through contributing to their public image, may threaten the long-run sustainability of the firm.

Climate-Related Disclosure

Climate-related disclosure is explained as companies' efforts to report their risk management processes and activities in response to climate change (García-Sánchez et al., 2023). Climate-Related Disclosure discloses how corporate activities impact the environment and how such activities mitigate and adapt to climate change (Monasterolo et al., 2017). Disclosures include risks to companies from climate change such as physical risks (e.g., harm arising from natural disasters or extreme weather) and transition risks (e.g., changes in climate-related regulations). The major dimensions of climate-related disclosure are vulnerability and relevance. The vulnerability dimension covers the risks to which companies are exposed to climate change. Their physical or transition-related consequences are critical in understanding how the climate change phenomenon may impact the company's performance. However, the relevance dimension deals with opportunities for companies arising from mitigation and adaptation to the effects of climate change, such as market opportunities for green products and sustainable business strategies. Climate-related disclosure provides information on the company's operations and efforts to deal with climate change so that these disclosures can provide understanding for investors and stakeholders (Friske et al., 2023; Pham et al., 2024).

Regulatory influences on climate-related disclosure boil down to the notion that, in the countries where sustainability regulations are more pronounced, the disclosure by businesses on the subject matter is bound to be more holistic and relevant to climate change. The clarity and comprehensiveness of the disclosure enable businesses to address climate change risks and opportunities, which ultimately boosts performance and company reputation (Monasterolo et al., 2017). Petrenko et al. (2016) discovered the positive nexus of CEO narcissism and the involvement in corporate social responsibility (CSR), including environmental initiatives and climate-related disclosures. This finding suggests that narcissistic CEOs would be most likely to engage in climate-related disclosures as a tool for self-enhancement.

Financial Performance

Financial performance basically means the productivity of the enterprise to generate profit and, therefore, set off its financial resources during a particular period. Financial performance acts as a measure of the company's growth potential which is described through the effectiveness of decisions, implementation, and execution of strategies to improve company operations (Baby et al., 2024). There are several financial performance measurement indicators that are often used by companies, such as ROA, ROE, ROI, return on sales (ROS), and return on capital employed (ROCE), however in terms of market-based measurements, there are market share and earnings per share (EPS), which are often used to measure the financial health of an organisation. One of the among , most commonly used indicators to measure financial performance as a reflection of profitability is Return on Assets (ROA). ROA is the ratio of the return earned on the utilized company total asset. The ROA would be better off the more, which shows the assets are effectively used to generate profit (Kasmir, 2018). Therefore, ROA is frequently used by management to measure the firm’s financial performance and use the managerial performance in utilizing resources by the company's judgment (Fahmi, 2018).

Hypothesis Development

CEO Narcissism and Climate-Related Disclosure

The CEO is a key actor in disseminating information that materially influences business development (Lewis et al., 2014; Martínez-Ferrero et al., 2021). The CEO, chief executive officer, is a leader in the firm, hence the major decision-maker. Due to developments in the ongoing critical subject matter regarding ESG issues, a direct influencer in company activity (Li et al., 2018). The Upper Echelons Theory suggests that certain characteristics of CEOs will not only affect ESG behavior but also encourage irresponsible behavior that may harm the interests of the stakeholders, given, particularly, such characteristics as narcissism. ESG activities of companies may be channeled up and function under a guise of responsive public behavior geared toward improving their corporate image, rather than genuine concern for corporate responsibility on the part of their leaders (Petrenko et al., 2016). Generally, narcissistic CEOs focus more on environmental reporting than on social reporting (Kind et al., 2023). Commensurate with that, public attention propels the CEOs to showcase their commitment to extensive environmental initiatives, such as climate change mitigation efforts in order to up their value with the public.

Al-Shammari et al. (2019) and Homroy & Slechten (2019) found that the CEO narcissism is positively significant to external activities (environmental project initiatives). This is because public’s high concern regarding environmental activities as a form of corporate responsibility towards environmental issues, such as disclosing carbon emissions to mitigate the causes of climate change, which is a crucial issue with many demands from the public and the government. Therefore, narcissistic CEOs are more likely to take part in informing environmental responsibility reporting as it garners more public attention (Hong et al., 2022).
H_1: CEO Narcissism affect on Climate-Related Disclosure

CEO Narcissism and Financial Performance

Company strategies implemented by narcissistic CEOs tend to aim at fulfilling their personal ambitions, like gaining compliments, admirations, and enhancing their image or fame, even though these strategies might later have a negative effect on financial performance and other decisions. On the other hand, Al-Shammari et al. (2019) state that narcissism might lead to good performance, due to narcissistic CEOs are

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often perceived as confident, extroverted, charismatic, optimistic, and highly concerned with their image, visibility, and reputation. CEO narcissism can be measured through several indicators, such as the CEO's image, monetary salary, and educational background. Supported by the upper echelons theory, top management's characteristics would be able to achieve organisational goals or attain organisational performance outcomes. Therefore, it is considered that when a CEO experiences an increase in remuneration and possesses a strong educational background, financial performance and business development will follow (Fionita et al., 2022; Gupta et al., 2018; Jonwall et al., 2023). High level of narcissistic CEOs tend to achieve their firm performance by enlarging profits through tax avoidance to enhance the firm value (Olsen et al., 2014). Buchholz et al. (2020) and Cragun et al. (2020) also found that narcissistic CEOs significantly improve the firm's financial performance.
H_2: CEO Narcissism affect on Financial Performance.

3. RESEARCH METHODOLOGY

The research population consists of 421 data in the selected period with 107 data observations as the sample, as the following criteria: 1) Financial sector companies which listed on the IDX; 2) Companies that publish financial and sustainability reports during the specified period. Data collection was conducted through time-series documentation from 2016 to 2022. The year 2016 was chosen as the start of the observation period because it was when GRI-G4 was introduced and implemented as the sustainability reporting guidelines in Indonesia. In 2018, GRI Standard replaced GRI-G4, so the study period from 2016 to 2017 used GRI-G4, while the period from 2018 to 2022 used GRI Standard.

Climate-Related Disclosure (CRD) is measured using a proxy for carbon emissions disclosure, in accordance with the GRI 305.1 to 305.5 indicators (GRI 305, 2016). The scoring criteria are as follows: 1) 3 points if the report is fully disclosed using the GRI guidelines; 2) 2 points if the report is fully disclosed without using the GRI guidelines; 3) 1 point if the report is partially disclosed; 4) 0 points if the report is not disclosed. After scoring, the total is accumulated and then divided by the maximum disclosure value overall. Financial performance is measured using ROA as a profitability ratio. The profitability ratio is considered to measure how effectively management generates business profits, which can impact shareholder investments (Bayaraa, 2017). The measurement of CEO narcissism (NCS) uses unobtrusive indicators on two index, developed by Chatterjee & Hambrick (2007) and Lassoued & Khanchel (2023). These include measuring the prominence of the CEO's photo in the annual reports and measuring the prominence of the CEO's photo in the sustainability reports. The scoring for the indicators is categorized as follows: 1) 5 points are given if the photo shows the CEO alone and takes up more than half of the page; 2) 4 points are given if the CEO is alone in the photo, but it takes up less than half of the page; 3) 3 points are given if the CEO appears with one (or more) other CEOs, and the photo takes up more than half of the page; 4) 2 points are given if multiple CEOs appear, and the photo takes up less than half of the page; 5) 1 point is given if there is no photo or if the company does not publish an annual report (Chatterjee & Hambrick, 2011). The data are analyzed using an unbalanced panel data approach to test the hypotheses with the help of Stata.

CEO narcissism serves as the predictor variable in this research model, while climate-related disclosure and financial performance are the dependent variables, as explained in Figure 1 and the following equation model:

$NCS_{it} = \alpha + \beta 1CRD_{it} + e_{it}$ ………………………………………….………………………................…....(1)
$NCS_{it} = \alpha + \beta 2FP_{it} + e_{it}$ …………………………………………….………………………………......(2)

Which NCS describes CEO Narcissism; CRD describes Climate-Related Disclosures; FP describes Financial Performance; α and β as parametric estimation; e is an error; i describes the company observation; and t describes the period observation.

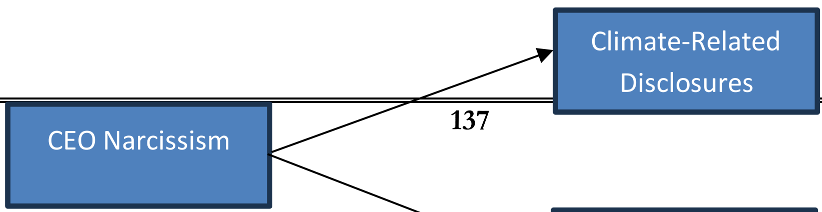

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Figure 1. Conceptual Framework

4. RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistics depict data related to the variables used in the study, which consists of Financial Performance (FP), Climate-Related Disclosure (CRD), and CEO Narcissism (NCS). As seen in Table 1, the mean of Financial Performance (FP), represented by ROA, is 0.012, which means that the average profitability of the sampled companies has a low profitability value. The value range shows a minimum of 0.2% and a maximum of 2.3%, with a standard deviation of 0.007, indicating a low level of profitability variation. The average value of Climate-Related Disclosure (CRD) is 0.498 with a standard deviation show at 0.302, indicating a significant variation, with a value range from a minimum of 6.7% to a maximum of 100% so it can be concluded that the companies in the sample have provided information related to carbon emissions at various disclosure levels from the 5 items of the GRI 305 indicator. The average value for CEO Narcissism (NCS) is 3.65, with a range from 1 as Min value, there are two companies do not display photos of executives, to the Max value is 5, many samples show that the photos of directors on one full page, indicating a variation in narcissistic traits among CEOs, with a standard deviation of 0.932.

Table 1. Descriptive Statistics

Variables	Obs	Mean	Std. Dev.	Min	Max
FP	107	.012	.007	.002	.023
CRD	107	.498	.302	.067	1
NCS	107	3.65	.932	1	5

Multicollinearity Test

The multicollinearity test is conducted to examine the relationships between independent variables in the research model. Table 2 shows that there is no indication of multicollinearity occurs among the variables used in this study, as evidenced by all values being below 0.80 (Shrestha, 2020). The correlation value between the FP variable and SR is 0.102 < 0.8 so that it passes the multicollinearity test, the correlation value between FP and NCS is -0.047 < 0.8 indicating that the multicollinearity test has been fulfilled, then the correlation value between CRD and NCS is 0.189 < 0.8 which means that it also passes the multicollinearity test.

Table 2. Pairwise correlations

Variables	(1)	(2)	(3)
(1) FP	1.000		
(2) CRD	0.102	1.000	
(3) NCS	-0.047	0.189	1.000

*** *p<0.01*, ** *p<0.05*, * *p<0.1*

Normality Test

Normality test is carried out to determine whether the data is normally distributed or not. This study uses the Jarque-Bera normality test as a Goodness of fit test using the skewness and kurtosis measures of data that are in accordance with the normal distribution. The data is declared normally distributed if the residual value of the data is greater than the 5% significance value, otherwise if the residual value of the data is less than the significance value, the data is not normally distributed (Mansuri, 2016). Table 3 shows the residual data value (0.878) > 0.05 so that the data is normally distributed and passes the normality test.

Table 3. Normality Test

Variables	Obs	Skewness	Kurtosis	Adj Chi^2	p > chi
Res_1	107	0.667	0.927	0.19	0.878

Estimation Model

Before conducting hypothesis testing using regression analysis, a regression estimation model should be selected, which is the Fixed Effect Model (FEM), Common Effect Model (CEM), or Random Effect Model (REM). Selection of the estimation model for hypothesis testing is necessary to determine the best model in regression analysis. First, the Chow Test is conducted to determine the FEM or CEM model, if the result of the prob value < significance then the FEM model is selected. The next stage, the Hausman Test is conducted to determine the FEM or REM model, if the result of the prob value < significance, the FEM model is selected to be used as the basis for regression analysis or hypothesis testing (Widarjono, 2009).

Table 4. Estimation Model

Model	Chow Test (p)	Hausman Test (p)	Conclusion
(1) NCS - CRD	0.0000	0.0000	FEM
(2) NCS - FP	0.0000	0.0000	FEM

*** $p<0.01$, ** $p<0.05$, * $p<0.1$

Based on table 4, it is known that in equation model 1, the probability value of the Chow Test and Hausman Test is less than the significance value (0.0000 < α), so the regression estimation model to be used is the FEM (Fixed Effect Model) model. Similarly, the equation 2 model shows that the probability value (0.0000 < α) on the Chow Test and Hausman Test results is less than the significance value, so the FEM model will also be used as a regression estimation model in hypothesis testing.

Hypothesis Test

It can be seen in Table 5, that the results of model 1 showed that CEO narcissism (NCS) has a positive effect on Climate-Related Disclosure (CRD), as evidenced by a p-value < 0.05 and a t-statistic of 2.067. Therefore, it can be concluded that H1 is accepted, with the interpretation that the more narcissistic CEO, the higher the level of climate-related information disclosure. Meanwhile, the results in model 2 regarding the nexus between CEO narcissism (NCS) and firm performance (FP) show that the H2 is rejected, as evidenced by the p-value being greater than the significance value and a t-statistic of -0.281. This means that there is no significant effect of CEO narcissism on firm performance. Table 3 also reveals that the NCS variable, as a predictor variable, has a relatively low ability to predict in research models 1 and 2, as indicated by an R^2 value of only 1-2%. However, low determinism does not always imply failure of a study, especially in social sciences (Cohen et al., 2003), as this suggests that there are other determinants that could influence the outcome variables (CRD and FP).

Table 5. Pooled Regression Testing

	(Model 1) CRD		(Model 2) FP	
	B	t-value	B	t-value
NCS	0.061	(2.067) **	-0.000	(-0.281)
Year dummy	Yes		Yes	
N Obs	107		107	
R2	0.01		0.02	

t statistics in parentheses
* $p<0.10$, ** $p<0.05$, *** $p<0.01$

Discussions

CEO Narcissism and Climate-Related Disclosure

The research results indicate that CEO narcissism positively affects Climate-Related Disclosure, it implies that the more narcissistic CEO, so the higher the level of Climate-Related Disclosure. The CEO is the most influential executive in making strategic decisions for the organization (S. Kim et al., 2014) might impact the company's business processes. One of the characteristics of a CEO is narcissism, which is a characteristic where an individual desires recognition, reputation, and a positive image. Currently, environmental issues, particularly those related to climate change, are sensitive (Homroy & Slechten, 2019), crucial, and urgent on a global. The disclosure of information regarding carbon emissions is an effort that shows the company's concern for environmental issues, thereby enhancing the company's reputation (E. Kim et al., 2021). The CEO, as the company leader who plays a significant role in strategic decision-making, will consider activities related to ESG, especially carbon mitigation projects, in terms of company' sustainability strategy. According to Chang et al. (2023); Dabbebi et al. (2022), narcissistic CEOs consider ESG activities act as a tool to gain positive image and reputation for themselves. Since narcissists seek public acknowledgment and awards for performance, transparent and complete carbon disclosure is often corroborated as taking charge of a company's environmental and social issues, thus engendering a more positive public image (Larcker et al., 2021) to claim that the CEO is a leader who visionary, sensitive, and responsive to regulations and sustainability issues. Petrenko et al. (2016) and Al-Shammari et al. (2019) found that narcissism tends to raise individual performance above that of non-narcissists about the corporate disclosure of environmental matters. Used in support of this view is an upper echelons theory to predict that a CEO's personal traits will influence corporate strategic decision-making on sustainability issues.

CEO Narcissism and Financial Performance

This study discovered that CEO narcissism does not really affect financial performance; in other words, narcissistic CEO characteristics may not help to assess company's financial performance. CEO narcissism has a major impact on some strategic decisions on behalf of the company (Kind et al., 2023), due to a greater affinity for challenges and great risk-taker, which becomes a double-edged sword, on the good side, it would lead to better performance; on the other hand, it might often lead to wrong decision-making as a result of their overconfident, which, as a matter of course, hinders long-term outcomes for firm performance, due to its inclined attention towards personal recognition, rather than that of the company (Amernic & Craig, 2022; Fionita et al., 2022). Tarus & Korir (2023) also found that narcissistic CEOs are more engaged in financial reporting mistakes because the decision-making power is only focused on one person, who might manipulate the decisions on the operational level. The presence of other executives, such as the Board of Commissioners and the Audit Committee, as part of Corporate Governance, can restrict the impulsive and ego-centric decisions of narcissistic CEOs, thus allowing the firm performance to be better controlled and gaining positive outcomes. This is in line with Candy & Delfina (2023), who also found that CEO narcissism has no effect on company's financial performance.

5. CONCLUSION

This study shows that CEO narcissism has a positive effect on Climate-Related Disclosure, while CEO narcissism does not have any effect on Financial Performance. Therefore, a narcissistic CEO might provide information related to climate change through carbon emissions disclosure in the Sustainability Report. The CEO's self-centered and ambitious character leads them to seek recognition, reputation, and a positive image. In order to achieve those, the CEO will make strategic decisions related to business processes concerning environmental issues. Furthermore, since environmental issues are sensitive and need to be addressed promptly, the CEO will become a leader who is concerned and responsive by conducting carbon accounting and initiating carbon mitigation projects as a form of corporate responsibility. If the company is seen as responsible for environmental issues, the public will appreciate and attribute a positive image to the CEO as the leader of a successful company. Unlike environmental performance, CEO narcissism does not affect financial performance. This is because the narcissistic traits of a CEO are like a double-edged sword. Ambitious and risk-taking behaviors may improve company performance in the short term, while at the same time, these traits can lead to decision-making errors due to overconfidence and impulsivity, which could burden the firm performance in the long term. Future research is expected to include other variables such as Corporate Governance as a moderating variable, given that the results of this study indicate that CEO narcissism does not influence financial performance.

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