Corporate Social Responsibility Committee: International Evidence

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ABSTRACT

We provide worldwide, large-sample evidence on an innovation in the corporate governance system which is the creation of a separate board committee monitoring and advising corporate social responsibility (CSR) issues, the CSR committee. We find that at the country level, CSR committees are more prevalent post CSR reporting regulation, and in countries with stronger environmental legislations and social norms. At the firm level, we find that firms with larger and more connected boards are more likely to have CSR committees. These firms derive more benefits from the knowledge specialization and task division that result from having a separate CSR committee while at the same time incurring lower hiring and search costs. Firms facing higher shareholder and stakeholder demand for CSR-related activities are also more likely to have CSR committees. Overall, the adoption of CSR committee reflects the cost-benefit tradeoffs. Our evidence suggests that CSR committees are on average effective. We find that CSR committees affect firms' CSR risk and influence their operations. Firms with CSR committees experience a subsequent decline in profitability, sales growth, and investments, consistent with firms abandoning CSR-controversial projects under the heightened scrutiny of CSR committees. In the long run, such changes in corporate behavior help reduce firms' risk of incurring negative CSR incidents.

Keywords: corporate social responsibility (CSR), CSR committee, board, stakeholder, regulation, reporting

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1. Introduction

During the past few decades, corporate social responsibility (CSR) issues have attracted enormous attention from regulators and the investment community around the world. In response, standard setters and firms have started implementing various measures aiming to inform about and ultimately improve firms' environmental and social (ES) activities. Until now, the most widely adopted measure is CSR-related reporting,[1] which is believed to be a critical ingredient in achieving broader CSR goals (Christensen et al. 2021). The academic evidence is broadly consistent with CSR reporting being positively associated with firms' ES performance and valuation (e.g., Dhaliwal et al. 2011; Plumlee et al. 2015; Chen and Lee 2017; Ioannou and Serafeim 2017).

Another measure that has grown in popularity among publicly listed firms in recent years is the formation of a separate board committee dedicated to CSR-related issues, the CSR committee. Although the label and functionality differ from firm to firm, we broadly define CSR committees as board committees with the main responsibility of advising and/or monitoring management on CSR-related policies and strategies. The percentage of publicly listed firms worldwide with CSR committees increased from 5.5% in 2002 to 14.2% in 2018. The decision to adopt CSR committees is mostly voluntary at the firm level.[2] Given the emerging trend in CSR committee adoption worldwide, the natural questions to ask are: What incentives are behind firms' decision to establish CSR committees? Does having a separate board committee dedicated to CSR issues bring any real effects to a firm's operations and CSR performance? In this study, we address these two questions using a comprehensive dataset on

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[1] For example, 83% of SEC-registered firms disclose some CSR-related information in their regulatory filings (SASB 2017c). The major economies in the world, including the US, the UK, the European Union, China, Australia, etc., have mandated or considered mandating some form of CSR reporting.

[2] South Africa and India are the only two countries in our sample that mandated the formation of some form of CSR committee. We discuss the details about these mandate in Section 2.2.

board committees for more than 19,000 publicly listed firms across 96 countries between 2002 and 2018.

We first explore what motivates firms to have distinct CSR committees on their boards. CSR encompasses corporate activities and policies aiming to improve the welfare of a firm's shareholders and non-shareholder stakeholders, which include employees, customers, and the wider community (Christensen et al. 2021). CSR committees are often appointed by boards and report to shareholders with the main responsibility of addressing ES issues related to both shareholders and non-shareholder stakeholders. Their composition and functionality are often clearly stated in corporate charters or proxy statements. Prior literature suggests that boards of directors already have significant impact on firms' CSR policies and activities (see Rao and Tilt (2016) for a review). Then why do firms establish a *separate* board committee to address CSR issues? We argue that the CSR committee adoption is associated with both country-level and firm-level incentives.

At the country level, we predict that the prevalence of CSR committee adoption is positively associated with CSR-related legislations and social norms towards ES issues. Since the early 2000s, a number of countries have started encouraging or mandating CSR-related reporting, either as part of a firm's annual report or as a standalone CSR report (e.g., Manchiraju and Rajgopal 2017; Ioannou and Serafeim 2017). Legal scholars believe that mandatory CSR reporting is the first step towards more explicit legislation on CSR topics (Lin 2021). Among all CSR-related areas, environment and climate change have attracted most attention from regulators and policymakers. Until today, most countries have implemented regulations and policies to tackle environmental issues and combat climate change. These regulations have significant impact on firms' operations and investments (Chen et al. 2018; Fiechter et al. 2022). We find that the prevalence of CSR committees at a country level, measured as the number (market capitalization) of firms with CSR committees divided by the

total number (market capitalization) of publicly listed firms in a county-year, is positively associated with a country's CSR reporting regulation and Environmental Performance Index (EPI), a measure capturing the stringency of environmental-related regulations and policies. Prior literature documents that culture and social norm drive the CSR behavior of both firms and investors (Dyck et al. 2019). Consistent with this view, we also find that CSR committees are more prevalent in countries with stronger social norms.

At the firm level, we argue that the decision to form a CSR committee reflects the tradeoffs between both *internal* and *external* costs and benefits associated with having a distinct CSR committee. *Internally*, having a separate committee enhances both the advising and monitoring roles of the board (Chen and Wu 2016). The decentralization process allows for knowledge specialization, encourages innovation, and improves the efficiency in directors' task allocation. In addition, assigning directors to a separate CSR committee also increases their individual accountability to CSR issues and mitigates free-riding problems. Regular committee meetings ensure that important CSR issues receive adequate attention from boards. These issues could be overlooked when the attention is diverted to other priorities in annual board meetings. As a result, having a separate CSR committee could improve the effectiveness of the board to advise and monitor CSR-related policies and activities. *Externally*, establishing a CSR committee signals a firm's sustainability culture and its determination to tackle CSR issues (Spence 1973). It shows that a firm's governance system has a formal process to incorporate diverse stakeholders' voices and balance their interests in corporate decision-making (Lin 2021). Such a signal could help attract CSR-conscious employees, customers, and investors, which ultimately enhances firm value (Bénabou and Tirole 2010).

However, having a separate CSR committee is not costless. Existing directors may not have the experience or expertise to advise on or monitor CSR policies or activities. Even if they do, assigning them to an additional committee may increase their workload, since

committee members assume more responsibilities and committee meetings take place more frequently than regular board meetings alone (Kesner 1988; Klein 1998; Adams et al. 2020).[3] The search and hiring costs arise when firms need to look for suitable directors externally to sit on the CSR committee, as the pool of candidates with relevant experience may be limited. Information segregation costs might also occur with a separate committee when non-CSR committee directors are no longer aware of the committee's activities (Reeb and Upadhyay 2010). This may in turn reduce the usefulness and relevance of advice made by committee members who may lack certain firm-specific information. This problem is especially prominent for CSR committees, as most CSR issues are most likely to be firm specific. Ultimately, a firm's decision to establish a CSR committee reflects the tradeoffs between the costs and benefits associated with having a separate committee dedicated to CSR.

To empirically test these arguments, we first link the *internal* costs and benefits of having a CSR committee to board characteristics. We expect the benefits (costs) to be higher (lower) when the board size is larger. In larger boards, communication and coordination are more difficult and the free-riding problem is more prevalent (Reeb and Upadhyay 2010). A separate CSR committee could mitigate these frictions in decision-making by improving task-division efficiency and individual accountability (Chen and Wu 2016). In addition, having more directors reduces the need to hire additional ones for the extra workload. We expect that workload-related costs are higher when directors are busy, as busy directors are more likely to be overloaded with additional committee meetings. We empirically measure board size with the number of directors. We further categorize board busyness into external busyness (the average number of board seats per director) and internal busyness (the average number of board committees per director sits on at the focal board). While board external busyness is likely a

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[3] Adams et al. (2020) examine a sample of US publicly listed firms between 1996 and 2010. They find that there are 3.8 stated committee responsibilities for every stated board responsibility and 2.3 committee meetings for every board meeting.

deterrent to CSR committee adoption, it is ex-ante unclear whether board internal busyness should be related to CSR committee adoption. On the one hand, board members who already sit on a larger number of internal committees may be less likely to agree to sit on yet another committee. On the other hand, it is possible that certain board cultures prefer to establish separate, well-defined committees (potentially due to high business complexity) and thus these boards are likely to adopt a distinct CSR committee when CSR issues rise in public consciousness(Chen and Wu 2016). Furthermore, we expect search costs to be lower when a board is well connected with the external pool of directors with CSR expertise (i.e., CSR directors on other boards). We identify directors as CSR directors if they already serve on the CSR committee of another board. A director at firm A is connected to a CSR director at firm B if they both serve on the board of firm B in the same year (board interlock). When calculating a board's connectedness to CSR directors on other boards, we only count the directors who are not CSR directors themselves at the focal firm (non-CSR directors), to isolate the effect of board connectedness from personal expertise. Thus, we measure a board's connectedness to CSR directors at other boards using the percentage of non-CSR directors connected to external CSR directors via board interlock.

We find that the likelihood of having a CSR committee is positively associated with board size and a board's connectedness to CSR directors on other boards. We also find that firms that have CSR committees tend to have board members who are less busy with external board seats but are busier with internal committee memberships. These findings are consistent with our conjecture that firms establish separate CSR committees after considering internal cost-benefit tradeoffs.

We then link the *external* benefits of having a CSR committee to shareholder and stakeholder demand for CSR activities. We expect firms facing higher external demand for CSR activities to benefit more from having a separate CSR committee, as these firms are more

likely to be rewarded by shareholders and stakeholders for sending a positive signal about CSR. We measure shareholder demand using the percentage of shares owned by foreign institutions, as prior literature documents that foreign institutional shareholders play an active role in promoting CSR activities (Dyck et al. 2019). We use the percentage of foreign sales to capture stakeholder demand, as multinational firms likely face higher scrutiny from international consumers. We also use CSR risk, measured by the frequency of negative ES incidents, to capture shareholder and stakeholder demand. We expect a firm that frequently experiences negative ES incidents to face higher pressure from investors, employees, consumers, and the community at large to improve their CSR performance. Due to increasing worldwide attention to climate change in the past two decades, we expect firms operating in high-polluting industries to face both higher shareholder and stakeholder pressures to improve environmental performance and thus face a higher demand for establishing CSR committees.

Consistent with these conjectures, we find that firms are more likely to have CSR committees when a larger proportion of their shares is owned by foreign institutions, when a higher percentage of sales is foreign, when they operate in high-polluting industries, and when they experience more frequent negative ES incidents.

After documenting the general incentives for establishing separate CSR committees, we further investigate the timing of adoption. We identify firms that establish CSR committees ahead of their home countries' first CSR reporting regulation as "early adopters" and those that start having CSR committees following CSR reporting regulation as "late adopters". We compare the incentives behind early and late adopters. We expect that early adopters are more establish a separate CSR committee because of economic benefits rather than the regulatory or peer pressure. Consistent with this conjecture, we find that, conditional on having CSR committees, early adopters have higher foreign sales, are more likely to operate in high-polluting industries and experience more frequent negative ES incidents compared with late

adopters. Early adopters also have larger boards and directors who are busier with internal committee memberships than late adopters.

Lastly, we assess the effectiveness of having a separate CSR committee. On the one hand, having a dedicated CSR committee could improve the firm's CSR performance by enhancing the advising and monitoring role of the board on CSR-related issues. On the other hand, firms may use CSR committees as a window-dressing device in response to CSR-related concerns raised by various stakeholders and to meet investors' demand. Firms could use public announcements of CSR committee formation as a marketing tool to attract consumers and employees who are particularly conscious of ES issues. They may also use the formation of a CSR committee to boost their ESG ratings and thus attract rating-sensitive investors. [4] Furthermore, the presence of a separate CSR committee on the board could be a part of a firm's overall culture that emphasizes sustainability, and it is often correlated with other organizational structures and policies aiming to achieve CSR goals (Eccles et al. 2014). The CSR committee itself may have little impact on the firm's CSR performance. Overall, it is ex ante unclear whether having a separate board committee dedicated to CSR could have any real effects on a firm's operations or on its CSR performance.

Many investors view CSR issues as a risk factor (Albuquerque et al. 2019; Krueger et al. 2020). It is not surprising that we observe a large number of CSR committees having the explicit responsibility to oversee and manage CSR-related risks (see the example of PepsiCo in Appendix 4). Our primary measure of CSR performance is thus CSR risk, measured by the frequency of negative ES incidents during a year. This measure captures an objective outcome of a firm's CSR policies and activities and thus unlike ESG ratings, is less likely to be mechanically affected by the act of CSR committee formation itself. However, this measure

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[4] Some ESG rating agencies use CSR-related board functionality as inputs when constructing their ESG scores. For example, Sustainalytics includes board's oversight of ESG issues in its governance (G) score. Refinitiv uses the information on CSR committees as data points when calculating its G score.

has two limitations. First, it only captures negative events without incorporating any potential positive events. If a firm is already doing well at CSR-related activities and does not have any negative ES incidents before establishing a CSR committee, then by construction, we cannot observe any improvement in CSR risk afterwards. This works against us in finding any significant association between firms having CSR committees and future firm CSR risk. Second, good CSR activities and policies may not immediately be translated into positive outcomes. This measure is thus less successful in capturing any real effects in the short run. To address this issue, we measure a firm's CSR risk for up to four years after having a CSR committee. [5]

When examining the consequences of CSR committees, we include firm fixed effects in all regressions to control for time-invariant firm characteristics, such as sustainability culture and business model. We also control for board characteristics, such as directors' expertise in CSR and their outside exposure to CSR risks, which might also affect firms' CSR performance. We use the percentage of outside directors, the percentage of female directors, and the percentage of directors with nonprofit affiliations as measures for boards' CSR expertise, and use the average CSR risk of all external boards seated by each board director to measure directors' outside exposure to CSR risk (e.g., Rao and Tilt 2016).

To further address the endogenous nature of firms' decision to establish CSR committees, we employ a two stage least squares (2SLS) approach by using the connectedness of non-CSR directors with CSR directors at other firms as an instrumental variable (IV). This variable satisfies the inclusion restriction, because as shown in the determinants analysis above,

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[5] Given the limitations of the CSR risk measure, we also use the overall ESG ratings from MSCI as an alternative proxy for CSR performance. MSCI ratings are computed using algorithms based on both CSR inputs and outputs. This measure reflects both downside CSR risk and upside potential and is thus better at capturing the real effects in the short run, such as improvements in CSR policies, CSR reporting, and CSR spending. However, MSCI uses a firm's global and domestic board ranking as an input for its governance score. Although the exact ranking criteria are unknown, adopting CSR committees on boards may mechanically improve a firm's ranking and thus its ESG rating even if the committee itself is just symbolic.

it is strongly correlated with the adoption of CSR committees both theoretically and empirically. It also satisfies the exclusion restriction, because the fraction of non-CSR directors connected with CSR directors on other boards is unlikely to have a direct impact on the focal firm's CSR performance, except through the channel of CSR committees or other board characteristics that we control for in the regression model (Adams and Ferreira 2009).

Our 2SLS regression results indicate that the presence of CSR committees in year *t* is not associated with any changes in firms' CSR risk in year *t+1*. However, when we expand the time horizon of the CSR risk measure, we start to observe a negative association in year *t+2*, and this negative association becomes statistically significant when CSR risk is measured in years *t+3* and *t+4*. These findings suggest that the presence of CSR committees reduces firms' CSR risk in the long run.

Given that CSR committees reduce CSR risk in the long run, we next explore the influence of CSR committees on firms' operations. We observe that CSR committees are negatively associated with firms' subsequent profitability, measured by return on assets (ROA), investment, measured as capital expenditures divided by total assets, and sales growth, measured as year-over-year sales percentage change. This negative impact on operations is long-lasting as firms' profitability and investment are reduced up to four years after the establishment of a CSR committee.

Together with the results on CSR risk, these findings provide support for the abandonment argument first put forth in the context of CSR reporting (Christensen et al. 2021). In our context, due to heightened scrutiny by the CSR committees, firms abandon or scale back CSR-controversial business activities and investments to reduce CSR risk. In summary, our consequences analysis suggests that on average, CSR committees bring about real changes at these firms. Establishing dedicated CSR committees helps reduce CSR risk by increasing board scrutiny of firms' operations and investments.

This paper contributes to four streams of literature. First, it extends the literature on firm-level responses to the explosion of interest in CSR issues in recent years. A growing literature in accounting and finance has focused on CSR reporting (see Christensen et al. (2021) for a review). Our study extends this literature by examining an emerging innovation in the governance system, which targets broader CSR issues beyond reporting. A few prior studies in the management area have investigated the determinants of CSR committees (e.g., Eberhardt-Toth et al. 2019; Gennari 2019). These studies are mostly descriptive and use data from a single country or region.[6] We observe that CSR committee adoption is a global phenomenon, and that the adoption rate varies considerably across regimes. Using an international setting thus allows us to explore whether and how country-level regulations and policies play a role in shaping firms' CSR behavior. Our study also differs from prior studies by focusing on a wide range of internal and external factors associated with the economic trade-offs of having a *separate* CSR committee. A few prior studies examine the impact of CSR committees on CSR reporting and document a positive association between these two constructs (Peters and Romi 2014; Peters and Romi 2015; Wang et al. 2020; Bradbury et al. 2022).[7] However, these studies do not account for the endogenous nature of CSR committee formation, nor do they control for firms' culture or business model, which are shown to have direct effects on CSR reporting and performance (Eccles et al. 2014). We extend this stream of the literature by examining the real effects of CSR committees in terms of firms' operations and investments. In addition, we ameliorate the inherent endogeneity issues in this line of research by employing an IV in 2SLS analysis. Our findings provide new insights into the effectiveness of CSR committees. Our

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[6] For example, Eberhardt-Toth et al. (2019) study the determinants of CSR committees based on a sample of 427 firms in the STOXX Europe 600 Index between 2006-2011. They focus on legal origin and CEO duality as the determinants. Gennari and Salvioni (2019) examine the effect of country-level legislations on CSR committees using a sample of European countries. Their study does not account for firm-level incentives.

[7] An exception in the findings in this line of research is (Rodrigue et al. 2013), who study the effect of environmental committees on environmental performance using a sample of 219 firms operating in environmental-sensitive industries in the US. They find that environmental committees have no impact on firms' environmental performance and conclude that environmental committees are used as a symbolic approach to manage stakeholders' perception.

findings on abandonment also add to the sparse academic evidence showing the effects of CSR reporting on firms' exit decisions (Christensen et al. 2021).

Our study also adds to the recent literature studying the effect of board composition, especially gender diversity, on firms' CSR performance. Several studies provide evidence suggesting a positive association between the presence of female directors and CSR performance (Williams 2003; Bear et al. 2010; Zhang et al. 2013; Shaukat et al. 2016; Harjoto et al. 2015; Rao and Tilt 2016; McGuinness et al. 2017). Our study differs from these by focusing on a formal functionality of the board and our results are incremental to traditional measures of board composition.

Third, our study contributes to the recent debate on CSR-washing or greenwashing. Recent literature identifies selective CSR disclosure, investing in observable CSR projects, and appointing Chief Sustainability Officers as common tools that firms use for CSR-washing (Velte and Stawinoga 2020; Christensen et al. 2021). Our study adds to this line of research by showing that CSR committees are more than just a window-dressing device and that they have real effects on firms' business activities.

Lastly, our study contributes to the understudied area of board committees. Adams et al. (2020) model the trade-offs from forming sub-groups in the context of corporate boards. They find that granting formal authority to board committees consisting of outsiders impair board communication and decision-making. Basu and Lee (2022) study the voluntary formation of finance committee among US firms. They find that firms' financing and auditing needs drive the creation of a finance committee. Our study extends this literature by examining the voluntary formation of another board committee that addresses different stakeholder issues.

2. Data and Empirical Measures

2.1 Sample Construction

Table 1 presents our sample construction process. We identify our sample using the universe of board directors in the BoardEx database. BoardEx provides information on board committees, directors' biographies, and networks. Its coverage is worldwide and starts from 1999. We aggregate board information by ISIN then merge the data with WorldScope and Compustat Global to add financial information. We further merge the data with FactSet to obtain information on institutional ownership. These steps provide an initial sample of 179,893 firm-year observations between 2001 (the first year for which FactSet has relatively full coverage on institutional holdings) and 2018. We next remove non-primary ISINs to keep one unique firm observation per year. This step reduces our sample by 4,184 observations. We further drop all observations with unavailable information on our regression variables. The final sample consists of 144,053 firm-year observations covering 19,758 unique firms from 2002 to 2018.

Next, we merge the final sample with RepRisk to obtain data on firm-level CSR risk. RepRisk tracks firm-level ESG outcomes using a relatively transparent methodology. It identifies public news articles worldwide that mention negative ESG incidents on a daily basis. We compute the number of unique news stories related to environmental and social risk incidents per year as our main proxy for CSR risk.[8] As RepRisk data coverage starts in 2007, the resulting sample is reduced to 46,868 firm-year observations covering 6,224 unique firms.

2.2 The CSR Committee

The CSR committee is responsible for a wide range of ES issues; hence firms use various names to label their CSR committees. To identify all possible CSR committees, we

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[8] We also compute additional proxies for CSR risk considering news severity, novelty and reach as measured by RepRisk. Empirical results of all four measures are qualitatively the same. Compared to these additional proxies, the count of unique CSR risk news is more transparent and less subject to firm media management hence is our preferred measure for CSR risk.

first gather all committee names available in the BoardEx database.[9] We next compile a list of CSR keywords based on extant academic literature CSR (e.g., (Flammer et al. 2019)) and extensive online research of business CSR disclosures. These keywords are reported in Appendix 3. The keyword search produces a set of committees that are linked to firms' CSR activities. We then manually verify the list by checking individual committee names. The above screening procedure generates a list of 723 unique CSR committee names.[10] Appendix 4 lists three examples of CSR committees in our final sample.

Until now, the formation of CSR Committees is voluntary at the firm level except in India and South Africa. The Companies Act 2013 in India requires both publicly listed and private firms meeting certain minimum size, sales and profitability criteria to form a "corporate social responsibility committee" on board to recommend, review, and monitor CSR policies and spending.[11] Public companies' CSR committees should consist of three or more directors with at least one independent director, whereas private firms' CSR committees can consist of at least two directors with no requirement of independence. The South African Companies Act 2008 Section 72 makes it compulsory for all state-owned, publicly listed, and other companies with at least 500 points public interest score to appoint a "social and ethics committee". The social and ethics committees are supposed to monitor and report to shareholders on companies' CSR matters related to relevant legislations, legal requirements or prevailing codes of best

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[9] An alternative method to identify CSR committees is to use the indicator variable for sustainability committees in the Refinitiv (formerly Asset4) database. However, the sustainability committees identified by Refinitiv are not only limited to the board of directors but also extends to the senior management.

[10] In untabulated analyses, we alternatively examined a stricter definition for CSR committees by excluding CSR committees that are also responsible for non-CSR major board activities, including audit, compensation, nomination, governance and shareholder relations (Field et al. 2020). Results are highly similar between these two CSR committee definitions. We prefer the broader definition as it identifies a more complete set of CSR committees.

[11] Section 135 of India's Companies Act 2013 lists the duties of the CSR committee as following: 1) to formulate and recommend a CSR policy to the Board. CSR policy shall point out the activities to be undertaken by the company as enumerated in Schedule VII; 2) to recommend the amount of expenditure to be incurred on the CSR activities to be undertaken by the company; 3) to monitor the CSR policy of the Company from time to time; and 4) to establish the transparent controlling mechanism for the implementation of the CSR projects or programs or activities undertaken by the company.

practices.[12] However, the Act does not specify whether it should be a board committee or a simple operating or advisory committee outside of board governance. Therefore, for South African firms the rules were unclear on the power of the committee and many adoption uncertainties remain. Consequently, the initial compliance rate was low (Lin 2021). For completeness, we include both India and South Africa in our main analysis. Our key results from both the determinants and consequences tests are weaker but still mostly statistically significant after removing India from our sample.[13]

2.3 Empirical Measures

2.3.1 Country-level variables

We manually collect a list of the earliest effective legislations on mandatory CSR reporting around the world and cross-check our list with available public databases such as Carrots & Sticks, Principles for Responsible Investment Regulation Map and Sustainable Stock Exchanges Initiative Database. We define national mandatory CSR disclosure regulation as legislation that requires all public companies in the country, regardless of sectors, to report information annually on all three aspects of ESG issues. The disclosure can be disseminated either in a standalone CSR report or integrated into the annual report. To identify the source of regulatory pressure, we label firms years as "post CSR disclosure regulation" if the country where a firm's headquarters is located has introduced effective national mandatory CSR disclosure regulation. A full list of initial national mandatory CSR disclosure regulation and implementation year is summarized in Appendix 2. Figure 2 visualizes countries with

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[12] Examples of concerning matters include the company's position regarding the goals and purposes as envisaged in, the United Nations' Global Compact Principles, the Organisation of Economic Co-operation recommendations on corruption, the 1998 Employment Equity Act, and the 2003 Broad Based Black Economic Empowerment Act, the promotion of equality, the prevention of unfair discrimination and the reduction of corruption, the International Labour Organisation Protocol on decent work and working conditions.

[13] For the firm-level determinants tests excluding India, foreign sales percentage, board external busyness and firm size are no longer statistically significant while all other variables remain statistically significant at a minimum of 5% confidence levels. For the firm-level consequences tests excluding India, CSR risk is significantly reduced in the fourth year following CSR committee adoption instead of in both the third and fourth years following CSR committee adoption in the full sample. The results on the consequences in firm operations are similar to those reported for the full sample.

mandatory CSR disclosure regulation on a world map. The longer the history of a country's regulation, the darker the shading is for the country. The country that first introduced a national law to mandate CSR disclosure is France, via the enactment of Nouvelles Regulations Economiques (NRE) 2001. In Article 116, the law requires large listed French companies to report on the environmental and social impact of their activities in annual report for the financial year beginning or after 1st January 2002. Other countries and regions followed suit. For example, the EU Non-Financial Reporting Directive 2014/95/EU, which mandated CSR disclosure for all countries in the European Union, was introduced in 2017.

Until end of our sample period, approximately 40 countries have implemented legislations on CSR reporting. Legal scholars believe that mandatory CSR reporting is the first step towards more explicit legislation on CSR topics (Lin 2021). We thus expect firms headquartered in those countries face higher demand from all stakeholders to formally incorporate CSR into their governance systems in response to the expected rise in other forms of CSR-related legislation in their home countries.

To capture national levels of environmental consciousness and performance, we compute the Environmental performance Index (EPI) of each country per year based on time-series raw data from the Yale EPI database following Yale EPI 2020 scoring methodology (Wolf et al. 2022).

We measure national levels of social norms by performing principal component analysis on four Wezel social indexes: (1) Personal Autonomy, (2) Gender Equality, (3) Lifestyle Liberty, (4) Voice of the People from the World Values Survey (https://www.worldvaluessurvey.org/WVSContents.jsp). We calculate our social norms index for each country per year.

2.3.2 Board Characteristics

We expect board characteristics to be associated with the internal costs and benefits of having a separate CSR committee. We expect net benefits to be higher when the board is larger and workload-related costs to be higher when the directors are busy. We measure board size with the number of directors, board external busyness with the average number of board seats per director, and board internal busyness with the average number of internal board committees seated by each director. We also expect search costs to be lower when a board is well connected with the external pool of directors with CSR expertise (CSR directors). A CSR director is a director who serves on the CSR committee of a board. A director at firm A is connected to a CSR director at firm B if they both serve on another board in the same year (board interlock). When calculating a board's connectedness to CSR expertise, we only count the degree of CSR connectedness of non-CSR directors to isolate the effect of board connectedness from personal expertise. We thus measure a board's connectedness to outside CSR directors using the percentage of non-CSR directors connected to CSR directors via board interlock.

2.3.3 Shareholder and Stakeholder Demand

We link the external benefits of having a CSR committee to shareholder and stakeholder demand for CSR activities. Since foreign institutional shareholders play an active role in promoting CSR activities (Dyck et al. 2019), we measure shareholder demand using the percentage of shares owned by foreign institutions. We also use the percentage of foreign sales to capture stakeholder demand, as multinational firms likely face higher scrutiny from international consumers. In addition, we use CSR risk, measured by the frequency of negative ES incidents, to capture both shareholder and stakeholder demand. We expect a firm that frequently experience negative ES incidents to face higher pressures from investors, employees, consumers, and the community at large to reduce its CSR risk exposure. Due to the worldwide attention to climate change in the past two decades, we expect firms operating in high-polluting

industries to face both higher shareholder and stakeholder pressures to improve environmental performance and thus face a higher demand for establishing CSR committees. We define high-polluting industries as firms that operate in Fama-French industries 4 (oil, gas, coal extraction and products), 5 (chemical and allied products), or 8 (utilities).

2.4 *Descriptive Statistics*

Table 2 reports the prevalence of CSR committees over our sample period (Panel A), across industries (Panel B) and in the top 20 countries in which the highest number of firms with CSR committees are reported in our sample (Panel C). As a comparison, we also present the statistics of the prevalence of audit committees, which are mandatory in most countries.[14] From 2002 to 2018, 98.2% of unique firms in our sample have audit committees. In contrast, only about 12.3% of unique firms have CSR committees during the same period. However, consistent with an increasing interest in CSR governance, the prevalence of CSR committees in our sample tripled from 5.5% in 2002 to 14.2% in 2018. In terms of industry distribution, it is not surprising that audit committees are common across all industries. Unlike audit committees, CSR committees are particularly concentrated in high-polluting industries, with the top three industries being "chemical and allied products", "utilities", and "oil, gas, coal extraction and products". The popularity of CSR committees varies substantially across countries. Figure 1 reveals that CSR committees have been introduced in most countries except for some regions in Africa, North-West Asia, and South America. Among the three countries with the largest number of firms in our sample, the United States has just over 5% of firm-years with CSR committees, similar to just under 6% in the United Kingdom but far behind 16.1% in Australia. South Africa (83.1%) and India (57.2%) have the highest percentages of

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[14] Audit committees are identified as board committees whose names contain "audit", excluding those responsible for non-financial audits such as "Information System Audit" and "Scientific Audit".

firms with CSR committees due to their national mandatory requirement on CSR governance in recent years.

Table 3 reports the descriptive statistics on selected country, industry, board, firm and CSR characteristics for the full sample, and compares the means of these characteristics between firms with and without CSR committees. The comparison suggests that firms with CSR committees are significantly different from other firms. CSR committees are more likely to be present at firms headquartered in richer (higher Gross Domestic Product (GDP) per capita) countries with mandatory CSR disclosure regulation, or at firms operating in a high-polluting industry. Boards with CSR committees are larger, seated by busier, less independent, more female, and more non-for-profit affiliated directors. Firms with CSR committees have higher CSR connectedness of non-CSR directors and exposure to CSR risk from external boards. Firms with CSR committees also have significantly different financial characteristics compared to those without. They are larger and more profitable (higher ROA) but have slower sales growth. Firms with CSR committees are more likely to be capital-intensive businesses with higher capital expenditures. Interestingly, firms with CSR committees have substantially higher CSR risk according to RepRisk.

3. Empirical Results

3.1. Determinants of CSR Committees

3.1.1 Country-level Analysis

Table 4 reports the results on the macro (country level) determinants of having a CSR committee. The dependent variable is the country-year observation of percentage of firms with CSR committees in models (1) – (6). In models (7) – (12), the dependent variable is total market capitalization of firms with CSR committees scaled by national market capitalization. Our results suggest that as predicted, national characteristics on environmental consciousness and

policies (EPI) and social norms are positively associated with the prevalence of CSR committees in a country. The results on EPI are statistically significant across all model specifications, while the coefficients on social norms are no longer statistically significant if country fixed effects are included. We find a statistically significant positive association between Post-CSR-Disclosure-Regulation and the prevalence of CSR committees when country fixed effects are excluded. In all models in addition to year fixed effects, we control for economic growth (GDP growth), net inflows of foreign direct investment scaled by GDP, capital market development (market capitalization scaled by GDP), as well as legal origin.

3.1.2 Firm-level Analysis

Table 5 reports the results on the determinants of having a CSR committee. In all models, the dependent variable is an indicator coded as one if a firm has a CSR committee in year *t+1*. All the independent variables are measured in year *t*. We include all firm-years in this analysis instead of focusing only on the first year of adoption, because it is not uncommon for a firm to adopt a CSR committee initially, then stop and re-adopt again later. It is thus empirically difficult to identify the pre- and post-adoption windows. We separately report the results with and without CSR risk, as the inclusion of this variable reduces our sample size by 70%. In Columns (1) and (3), we include year and country fixed effects. In Columns (2) and (4), we include year and firm fixed effects. In Column (5), we report results from analysis that excludes India from the regression sample, as India has clearly defined regulation on the establishment of CSR board committees since 2013.[15] We include firm fixed effects for in this specification. We use a linear probability model to avoid non-convergence issues caused by high dimensional fixed effects.

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[15] As discussed above, the South African regulation does not clearly require a CSR board committee. Firms can also establish a working committee that is not part of the board of directors.

Consistent with our conjecture that shareholder demand affects firms' decision to have CSR committees, we find that foreign institutional ownership has a positive and significant coefficient in all model specifications. We also find a positive coefficient on the percentage of foreign sales, although it is insignificant after we include firm fixed effects. This suggests that consumers' demand for CSR committee does not tend to vary for the same firm. Consistent with firms in high-polluting industries facing higher external pressure to improve CSR, they are more likely to have CSR committees. We also observe a strong positive association between CSR risk, measured by the natural logarithm of the number of negative ES incidents, and the likelihood of firms having a CSR committee. This is consistent with shareholder and stakeholder demand being associated with firms having CSR committees. In terms of board characteristics, we find that firms with larger boards are more likely to have CSR committees. This finding is consistent with the benefits (costs) from knowledge specialization and task division (additional workload) being higher (lower) at larger boards. Consistent with the notion that firms incur additional hiring and search costs we find that firms with boards better connected with external CSR directors and with less externally busy directors are more likely to have a CSR committee. However, boards with more internally busy directors are more likely to have a CSR committee, indicating that boards that have a culture of having a larger number of internal committees are more likely to establish an additional committee dedicated to CSR activities. Consistent with our conjecture that firms establish CSR committees in response to their home country's CSR legislation, we find that the coefficient for the post-CSR disclosure regulation indicator is positive and statistically significant across all specifications.

In terms of control variables, we find that GDP per capita has a strong and positive coefficient across all specifications We do not find consistent evidence on firm level control variables across different model specifications, as the effects are likely to be firm-invariant and therefore absorbed by firm fixed effects.

The results in Column (5) indicate that our main findings reported above are robust to excluding India from our regression sample. The only difference is that the coefficient on board external busyness (the average number of board seats per director) becomes statistically insignificant. In contrast, board internal busyness, measured as the average of board committee memberships per director, remains statistically significant after excluding India from our sample and including firm fixed effects. .

In Table 6, we further investigate the factors that influence the timing of establishing CSR committees. We define a firm as an early adopter if it established a CSR committee before any CSR reporting regulation was introduced in its home country.[16] A firm is defined as a late adopter if it only adopted a CSR committee after its home country's first CSR reporting regulation was introduced. A firm is defined as a non-adopter if it has not adopted CSR committee until the end of our sample period, i.e., 2018. By separately examining the incentives behind early and late adopters, we are thus able to isolate the effect from regulatory pressures. Consistent with Table 5, we report results both with and without CSR risk due to the limited coverage of RepRisk data. We control for year and industry fixed effects in all models, then add industry fixed effects in Columns (3) – (4) and (7) – (8). We do not include firm fixed effects in this analysis, as the classification of early, late, and non-adopters are firm specific.

Odd columns report the results of multinomial logistic regressions of early adopters versus non-adopters and even columns report the results comparing late adopters with non-adopters. When the coefficients in each pair of odd and even columns are statistically different at 10% level or above, we highlight them in bold in the odd column. Since we use CSR-reporting regulation to define early and late adopters, we no longer include it as a separate independent variable in the regressions. The results are broadly consistent with those reported

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[16] It is possible for a firm to establish a CSR committee first and then stop it for a few years and then adopt it again later. In these cases, we use the time of the first adoption to define early and late adopters.

in Table 4, Column (1) - (2) and (4) - (5), with the exception that high-polluting industries, board size, and CSR risk play a more important role in encouraging firms to adopt CSR committee early. Interestingly, board external busyness is less of a concern for early adopters than late adopters while boards with more internal committees are more likely to adopt a distinct CSR committee earlier. These findings suggest that the benefits (costs) of establishing a separate CSR committee are likely to be higher (lower) for early adopters than late adopters.

In summary, results in this section are broadly consistent with our conjecture that firms establish CSR committees while considering the trade-offs between costs and benefits associated with setting up a separate board committee dedicated to CSR issues. The external benefits are shaped by stakeholder and shareholder demand for CSR activities and internal benefits and costs are associated with board characteristics.

3.2 Real Effects of CSR Committees

3.2.1 CSR Performance

The main responsibility of a CSR committee is to advise on and monitor CSR-related policies and activities. We thus use a firm's future CSR performance to assess the effectiveness of its CSR committee. Prior studies often use ESG ratings to measure firms' CSR performance. However, these ratings are not suitable in our setting because they are likely to be mechanically affected by the adoption of CSR committees. We thus use CSR risk to capture a firm's CSR (under)performance. The notion of using CSR risk to capture CSR performance is also consistent with the recent investor view that CSR-related exposure is one of the major risk factors firms face in their operations (Albuquerque et al. 2019; Krueger et al. 2020) and CSR committees and boards should manage such risk (see the example of PepsiCo in Appendix 4). As described above, CSR risk is measured by the frequency of negative ES incidents and is an objective outcome of a firm's CSR policies and activities. However, this measure has two

limitations. First, it only captures negative events without incorporating any potential positive events. If a firm is already successful at CSR-related activities and does not have negative ES incidents before adopting a CSR committee, then by construction, we cannot observe any improvement in CSR risk following CSR committee adoption. This works against us in finding any significant association between CSR committee adoption and subsequent CSR risk. Second, good CSR activities and policies are unlikely to be immediately translated into positive outcomes. This measure is thus less effective in capturing any real effects in the short run. To address this issue, we measure a firm's CSR risk for up to four years (i.e., years *t+1* to *t+4*) after measuring its CSR committee at year *t*. In robustness checks, we also use the overall ESG rating from MSCI as an alternative measure for CSR performance. Similar to other ESG ratings, MSCI ratings are computed using algorithms based on both CSR inputs and outputs. This measure reflects both downside CSR risk and upside potential and is thus better at capturing the real effects in the short run, such as improvements in CSR policies, CSR reporting, and CSR spending. However, it is also subject to the concern that the mere act of installing a separate CSR committee improves its governance rating.

Another empirical challenge in examining the effect of CSR committees is endogeneity. Having a CSR committee on the board could be part of a firm's sustainability culture and is correlated with other organizational structure and policies (Eccles et al. 2014). To address this omitted-variables problem, we include firm fixed effects in all our regression analysis on firm performance. Reverse causality is also a concern in performance regressions, as firms may use CSR committees as a signal for future performance (Lys et al. 2015). To address this issue, we need an IV that is correlated with the presence of CSR committees but uncorrelated with firm performance, except through the channel of CSR committees and control variables. Among all the variables used in the determinants model, we identify the board's connectedness to external CSR directors, measured as the percentage of non-CSR directors connected to external CSR

directors via board interlocking, as a suitable IV. As demonstrated in the determinants analysis, the more connected the board is to external CSR directors, the more likely the firm will establish a CSR committee. Therefore, the IV satisfies the inclusion restriction. At the same time, since we only focus on the connectedness of directors without CSR expertise themselves (the non-CSR directors), this measure is unlikely to have a direct effect on firms' CSR performance. It may be possible that board's connection to external CSR expertise captures industry characteristics and overall board connectedness. However, these concerns should be addressed by firm fixed effects and controlling for board busyness. Another possibility is that non-CSR directors may also influence firm CSR performance, hence we additionally control for board characteristics including board exposure to CSR risk and expertise, board independence, the percentage of female directors, and the percentage of directors with nonprofit affiliations (e.g., Rao and Tilt 2016). Our method of identifying the IV is analogous to that used in Adams and Ferreira (2009), in which the percentage of male directors who sit on other boards with female directors is used as the IV for the prevalence of female directors on boards.

We report the 2SLS regression results on CSR risk in Table 7, Panel A. Column (1) reports regression results from the first stage linear probability model predicting the presence of a CSR committee.[17] As expected, our IV, a board's connectedness to CSR directors, is positive and statistically significant in predicting whether a firm has a CSR committee. *Kleibergen-Paap rk LM Chi2* and *Wald F* respectively report statistics from under-identification and weak identification tests under clustered standard errors. In all specifications, the *p*-value of *Chi2* statistic is less than 0.001, and the *F*-statistic is above 50, rejecting both under-identification and weak instrument hypotheses. Columns (2) to (5) report the second

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[17] We estimate both stages of 2SLS regressions simultaneously hence the sample used for the first-stage estimation depends on the data availability of the second-stage dependent variable. For brevity, we report the first-stage results with the fullest possible sample where the second-stage dependent variable is the next-year CSR risk. The first stage results for examining future years' CSR risk are highly similar, albeit with fewer observations.

stage regression results on CSR risk measured at year $t+1$ to year $t+4$. Both stages of the 2SLS model are jointly estimated using limited information maximum likelihood (LIML) which is robust to weak instruments. We include year and firm fixed effects in both stages of the analysis.

The coefficient on the predicted value of CSR committee indicator is insignificant in Columns (2) and (3), but becomes negative and significant in Columns (4) and (5). These results indicate that while a CSR committee has limited impact on a firm's CSR risk in the first two years, it significantly reduces the firm's CSR risk in the long run. This finding is consistent with our conjecture that it takes time for the CSR policies and activities implemented by a CSR committee to take effect.

In terms of control variables, we find a positive association between foreign institutional ownership and CSR risk. This finding is consistent with foreign institutional investors having a strong influence over firms' CSR performance (Dyck et al. 2019). We find a positive association between firm size, firm growth, and CSR risk most specifications, probably because larger and high-growing firms are more likely to be covered by media for negative incidents. We also find that current CSR risk is a good predictor for future CSR risk in the short run (a positive association between CSR risk in year t and CSR risk in years $t+1$ and $t+2$), but it loses its predictive power in the mid-run (year $t+3$). Interestingly, there is a negative association between CSR risk in year t and year $t+4$. These findings suggest that CSR risk is sticky in the short term, but since firms could take actions to mitigate the risk (such as establishing a CSR committee), such risk is reversible in the long run. We do not find mandatory CSR reporting to have consistent significant effect on firms' CSR risk. This resonates with the view in Christensen et al. (2021) that mandatory CSR reporting standards face substantial challenges in terms of compliance, measurement, comparability, and standardization. Their economic benefits are thus hard to predict. The results in Panel B of Table 7 indicate that excluding India from the sample leads to the CSR committee's effect on

the reduction in firm CSR risk to be statistically significant in *year t+4* only rather than in both *year t+3* and *year t+4*. Similarly, using an OLS rather than 2SLS approach leads to the reduction in firm CSR risk to be statistically significant in *year t+4* only.

3.2.2 Firm Operations

We use profitability (ROA), investment (capital expenditures divided by total assets), and sales growth (year-over-year sales change percentage), to capture firms' operations. We continue to employ the same 2SLS approach described above to examine the effect of CSR committees on firms' operations in the short and long run. Table 8, Panel A reports the results on profitability. Column (1) suggests we continue to find our IV to be strongly correlated with the CSR committee indicator, the endogenous variable of interest. Columns (2) to (5) report the results from second stage regressions on ROA in years *t+1* to *t+4*. We find a negative and significant coefficient on the predicted value of the CSR committee indicator in regressions for up to the following four years' ROA. Panel B of Table 8 suggests that the OLS regression specification yields statistically significant results only for year *t+1* whereas excluding India in the 2SLS regression yields consistent results as those for the full sample.

We further explore the reasons behind the reduction in ROA following CSR committee adoption. Table 9 repeats the analysis for investment. Consistent with the abandonment argument that CSR committee oversight likely reduces the number of positive NPV projects a firm can invest in, CSR committees are negatively associated with investment in years *t+1* to *t+4*. Panel B of Table 9 indicates that these findings are robust to excluding India from the regression sample and to using the OLS regression specification. Similarly, Table 10 explores the relation between CSR committees and future sales growth. The results provide further support for the abandonment argument by indicating that CSR committees are associated with

lower future sales growth in *years t+1* and *t+2* under the 2SLS specification (with or without India), and for *years t+1* to *t+3* under the OLS specification.

In summary, the findings in Table 8 to 10 suggest that the presence of a CSR committee has a long-lasting reduction effect on a firm's profitability and investment, however only decreases sales growth in the shorter term.

Combined with the CSR risk results documented in Table 7, these findings provide support for the abandonment argument (Christensen et al. 2021) that firms abandon or scale back CSR-controversial projects to reduce CSR risk, presumably under the heightened scrutiny of CSR committees. As a result of scaling back investments in CSR-risky projects, firms have lower investment, sales growth, and profitability.

4. Conclusions

We provide the first large-sample evidence on an emerging innovation in the corporate governance system – the formation of CSR committees on boards. We find that at the country level, CSR committees are more prevalent post CSR reporting regulation, and in countries with higher environmental performance and social norms. At the firm level, we find that a firm's decision to have a CSR committee is shaped by the cost-benefit trade-offs associated with having a separate committee dedicated to CSR issues. The likelihood of having a CSR committee is positively associated with measures capturing the internal and external net benefits of having a separate CSR committee, such as board size, a board's connectedness with external CSR directors, and shareholder and stakeholder demands for CSR related activities such as national CSR disclosure regulation.

In analyzing whether CSR committees represent a window-dressing device, we find that they on average have real influence on firms' CSR performance and operations. Firms with CSR committees experience a subsequent decline in profitability, sales growth, and investment.

These results suggest that under heightened scrutiny by CSR committees, firms abandon projects that are considered CSR-risky. These changes help reduce firms' CSR risk in the long run. Our findings contribute to the growing literature studying the firm-level responses to CSR issues by identifying a governance mechanism that is shown to be effective.

Variable Definition

Variable	Definition
Board connectedness to CSR directors%	The percentage of non-CSR committee directors sitting on other boards with CSR committees.
Board exposure to CSR risk	The average CSR risk of all external boards seated by each director on the board.
Board external busyness	The average number of board seats per director on the board.
Board internal busyness	The average number of focal firm board committees per director on the board.
Board size	The number of directors on the board.
Capital expenditure	The Capital expenditure over total assets.
Common law	An indicator variable that equals 1 if the country's legal system is based on common law, 0 otherwise.
CSR committee	An indicator variable that equals 1 if the company has at least one CSR committee, 0 otherwise. Keywords to identify CSR committees are listed in Appendix 3.
CSR committee type	A three-level categorical variable that equals 1 if the company adopts at least one CSR committee before any national mandatory regulation on CSR disclosure, 2 if the company adopts at least one CSR committee after any national mandatory regulation on CSR disclosure, and 0 if the company does not have any CSR committee. First effective national mandatory legislation on CSR disclosure is available in Appendix 2. Keywords to identify CSR committees are listed in Appendix 3.
CSR risk	The natural logarithm of one plus the number of unique environmental and social incidents captured by RepRisk. The types of issues include environmental issues on: (1) Animal mistreatment, (2) Global pollution (including climate change and GHG emissions), (3) Impacts on ecosystems/landscapes, (4) Local pollution, (5) Other environmental issues, (6) Overuse and wasting of resources, (7) Waste issues; social issues on: (1) Child labor, (2) Discrimination in employment, (3) Forced labor, (4) Freedom of association and collective bargaining, (5) Human rights abuses and corporate complicity, (6) Impacts on communities, (7) Local participation issues, (8) Occupational health and safety issues, (9) Other social issues, (10) Poor employment conditions, (11) Social discrimination, (12) Corruption bribery extortion and money laundering, (13) Fraud; and the following cross-cutting issues: (1) Controversial products and services, (2) Products (health and environmental issues), (3) Supply chain issues, (4) Supply chain issues.
Director in non-for-profit%	The percentage of directors associated with non-for-profit organizations on the board.
Domestic institutional ownership%	The percentage of shareholding by domestic institutions.
Early CSR committee	An indicator variable that equals 1 if the company has at least one CSR committee after the first national

	mandatory CSR disclosure regulation is implemented, 0 otherwise.
EPI	Environmental performance index of each country per year, computed based on time-series raw data from Yale EPI following Yale EPI 2020 scoring methodology.
Female director%	The percentage of female directors on the board.
Firm size	The market value of total equity over total assets.
Foreign institutional ownership%	The percentage of shareholding by foreign institutions.
Foreign sales%	The percentage of foreign sales in total sales revenue.
GDP growth	Annual percentage growth in gross domestic product of each country.
GDP per capita	The natural logarithm of Gross Domestic Product per capita by country and year.
High-polluting industry	An indicator variable that equals 1 if the company operates in Fama-French Industry 4 (Oil, Gas, Coal Extraction and Products), 5 (Chemical and Allied Products), or 8 (Utilities), 0 otherwise.
Independent director%	The percentage of independent directors on the board.
Insider shareholding%	The percentage of insider shareholding.
Late CSR committee	An indicator variable that equals 1 if the company has at least one CSR committee before any national mandatory CSR disclosure regulation is implemented, 0 otherwise.
Leverage	The book value of total liability over total assets.
Log(FDI/GDP)	The natural logarithm of foreign direct investment net inflows scaled by gross domestic product of each country per year.
Log(Mkt Cap/GDP)	The natural logarithm of the domestic market capitalization scaled by gross domestic product of each country per year.
Post CSR disclosure regulation	An indicator variable that equals 1 if the country where the company's headquarter is located has effective national mandatory CSR disclosure regulation, 0 otherwise.
R&D expenditure	The research and development expenditure over total assets.
ROA	The earnings before interest, tax, depreciation and amortisation (EBITDA) over total assets.
Sales growth	The percentage of annual sales revenue growth.
SG&A expense	The selling, general and administrative expenses over sales revenue.
Social norm	Principal component analysed from four Wezel social indexes: (1) Personal Autonomy, (2) Gender Equality, (3) Lifestyle Liberty, (4) Voice of the People measured by World Values Survey of each country per year.
Tobin's q	The sum of total equity market value and total liability book value over total assets.

Appendix 2
First National Mandatory CSR Disclosure Regulation around the World

Economy	First National Mandatory CSR Disclosure Regulation	Implement Year
France	Nouvelles Regulations Economiques (NRE) 2001 Article 116	2002
Netherlands	Dutch Civil Code 1838 Article 2:391 Amendment in 2003	2003
Indonesia	Company Law No 40/2007	2007
United Kingdom	Companies Act 2006 Chapter 5 Directors' Report	2007
China	Shanghai Stock Exchange (SSE) Listing Rules; Shenzhen Stock Exchange (SZSE) Listing Rules	2008
Denmark	Danish Financial Statements Act 2008	2009
Australia	Australian Stock Exchange (ASX) Listing Rules; Corporate Governance Council Principle 7	2010
South Africa	Companies Act 2008; Johannesburg Stock Exchange (JSE) Listing Rules; King III Code	2010
Philippines	Securities and Exchange Commission (SEC) Corporate Social Responsibility Act 2009 Amendment in 2011	2011
Brazil	A Bolsa do Brasil (B3) Listing Rules	2012
Norway	The Accounting Act 1998 Section 3.3.c Amendment in 2013	2013
Hong Kong	The New Companies Ordinance 2014	2014
India	Companies Act 2013 Section 135; Securities and Exchange Board of India Listing Rules	2014
Thailand	Securities and Exchange Commission (SEC) Listing Rules	2014
Chile	Superintendency of Securities and Insurance (SVS) Norma de Carácter General N° 385	2015
Kenya	The Capital Markets Act Code of Corporate Governance Practices	2015
Taiwan	Taiwan Stock Exchange (TWSE) Listing Rules	2015
Iceland	Non-Financial Reporting Directive 2014/95/EU	2016
Malaysia	Bursa Malaysia Listing Rules	2016
Peru	Bolsa de Valores de Lima (BVL) Resolution SMV N. 033-2015-SMV/01	2016
Singapore	Singapore Exchange (SGX) Listing Rules	2016
Vietnam	Circular No.155/2015/TT-BTC	2016
Austria	Non-Financial Reporting Directive 2014/95/EU	2017
Belgium	Non-Financial Reporting Directive 2014/95/EU	2017
Croatia	Non-Financial Reporting Directive 2014/95/EU	2017
Cyprus	Non-Financial Reporting Directive 2014/95/EU	2017
Finland	Non-Financial Reporting Directive 2014/95/EU	2017
Germany	Non-Financial Reporting Directive 2014/95/EU	2017
Greece	Non-Financial Reporting Directive 2014/95/EU	2017
Hungary	Non-Financial Reporting Directive 2014/95/EU	2017
Ireland	Non-Financial Reporting Directive 2014/95/EU	2017
Italy	Non-Financial Reporting Directive 2014/95/EU	2017
Luxembourg	Non-Financial Reporting Directive 2014/95/EU	2017
Malta	Non-Financial Reporting Directive 2014/95/EU	2017
Poland	Non-Financial Reporting Directive 2014/95/EU	2017
Portugal	Non-Financial Reporting Directive 2014/95/EU	2017
Romania	Non-Financial Reporting Directive 2014/95/EU	2017

Spain	Non-Financial Reporting Directive 2014/95/EU	2017
Sweden	Non-Financial Reporting Directive 2014/95/EU	2017
Nigeria	Nigerian Stock Exchange Listing Rules	2019

Appendix 3
Keywords to Identify CSR Committees

Included CSR-related Keywords

accountability	community	diversity	ethical	integrity	reliability	security	sustainable
brand	consumer	donation	ethics	laundering	reputation	social	territory
bribery	contribution	eh&s	fraud	patient	responsibility	societal	terrorism
charitable	corruption	employment	harassment	philanthropic	responsible	societary	terrorist
charities	crime	empowerment	health	philanthropy	rights	society	values
charity	csr	environment	inclusion	protect	safe	socio	welfare
citizenship	culture	environmental	inclusive	protection	safeguarding	stakeholder	wellbeing
civic	customer	esg	indigenous	public	safety	sustainability	zero harm

Excluded Unintended Keywords

agriculture	publication	public offer	public offering	public debt	public equity	public infrastructure

Appendix 4
Examples of CSR Committees

Company Name	Headquarter Country	Industry	Stock Exchange	Committee Name	Establish Year	Meeting Frequency	Responsibilities [Information Source]
PepsiCo Inc.	United States	Beverages Food Processing	NASDAQ	Public Policy and Sustainability	2017	Three times per year	1. Reviewing and monitoring key public policy trends, issues and regulatory matters and the Company's engagement in the public policy process; 2. Overseeing the Company's Political Contributions Policy and reviewing the Company's political activities and expenditures; 3. Reviewing the Company's sustainability initiatives and engagement; 4. Assisting in the Board's oversight of risks related to matters overseen by the Committee. [2017 DEF 14A Proxy Statement]
Lloyds Banking Group Plc	United Kingdom	Banking Financial Services	London Stock Exchange (LSE)	Responsible Business	2015	Three times per year	1. The establishment, measurement and review of plans to strengthen the Group's culture and values; 2. The Group 's approach to: building trust with customers; communities; environment; employees; ethical business; stakeholder engagement and reputation; 3. The design and development of the Responsible Business plan and Helping Britain Prosper Plan (HBPP) and the measurement of performance against these plans. [2015 Annual Report and Accounts]

| Kumba Iron Ore | South Africa | Mining | Johannesburg Stock Exchange (JSE) | Safety & Sustainable Development (2008-2012), Social and Ethics (2013-2014), Social Ethics & Transformation (2014-2018) | 2008 | Four times per year | 1. Oversee the development of policies and guidelines for safety and sustainable development issues; 2. Review the policies and performance of the group; 3. Monitor key indicators; 4. Consider whether or not to adopt or apply international regulatory and technical developments; and 5. Facilitate participation, cooperation and consultation on key issues. [2008 Sustainable Development Report] |

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Figure 1
CSR Committees around the World
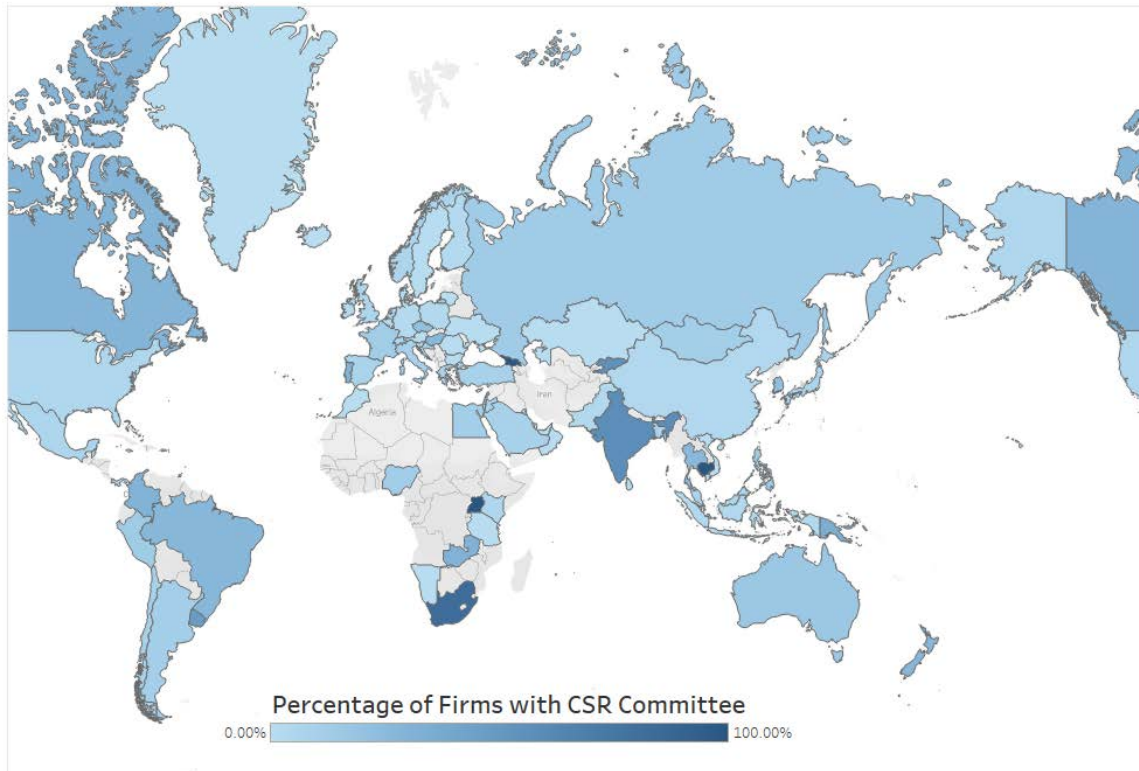
Figure 1 presents the prevalence of firms with CSR committees around the world over 2002-2018. The color shade increases with the percentage of firms with CSR committees in each country.

Figure 2
First National Mandatory CSR Disclosure Regulation around the World

National Mandatory CSR Disclosure Regulation Implementation Year

2002   2019
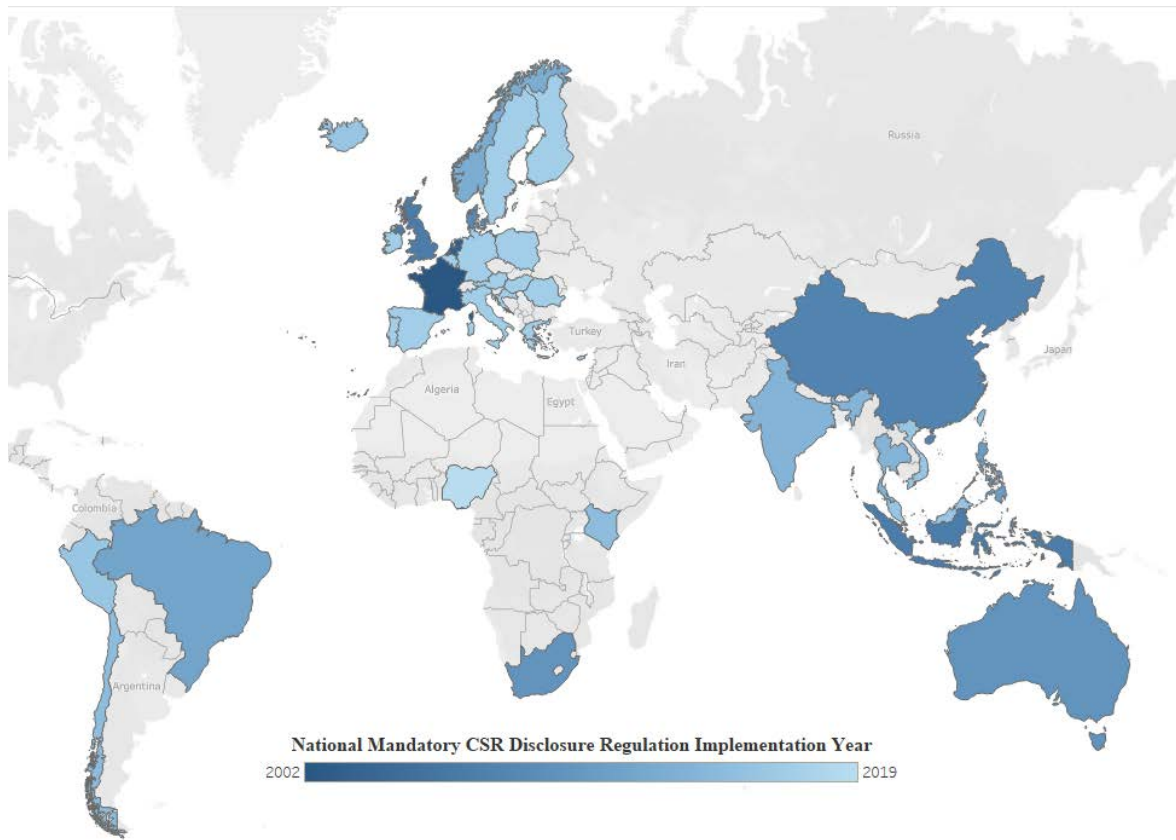
Figure 2 presents the trend of first country-level mandatory CSR disclosure regulation around the world. The color shade decreases with the implementation year of the regulation. A full list of first national mandatory CSR disclosure regulations with implementation years is available in Appendix 2.

Table 1
Sample Selection

	Firm-Year Observations
All firms covered by BoardEx, Compustat and FactSet 2001-2018	179,893
Less: non-primary stock listings	(4,184)
Less: observations with missing regression variables	(31,656)
Full sample from 2002 to 2018 from 19,758 unique firms	**144,053**
Full sample less firms uncovered by RepRisk 2007-2018	(97,185)
RepRisk sample from 2007 to 2018 from 6,224 unique firms	**46,868**

Table 2
Sample Distribution

Panel A: CSR committee over time					
	Firms with CSR committee		Firms with audit committee		All firms
Year	N	%	N	%	N
2002	171	5.51%	3,006	96.87%	3,103
2003	185	5.51%	3,260	97.11%	3,357
2004	270	5.01%	5,273	97.94%	5,384
2005	322	4.89%	6,466	98.25%	6,581
2006	387	5.28%	7,190	98.13%	7,327
2007	410	5.32%	7,566	98.11%	7,712
2008	493	6.00%	8,048	98.01%	8,211
2009	581	6.85%	8,332	98.20%	8,485
2010	646	7.73%	8,221	98.41%	8,354
2011	756	8.31%	8,943	98.26%	9,101
2012	960	10.00%	9,416	98.11%	9,597
2013	1,083	10.91%	9,729	98.02%	9,926
2014	1,249	11.92%	10,261	97.97%	10,474
2015	1,383	12.65%	10,686	97.76%	10,931
2016	1,585	13.54%	11,415	97.51%	11,706
2017	1,642	13.97%	11,437	97.33%	11,751
2018	1,710	14.19%	11,733	97.35%	12,053
Total	**13,833**	**9.60%**	**140,982**	**97.87%**	**144,053**
Unique Firms	**2,437**	**12.33%**	**19,393**	**98.15%**	**19,758**

Panel B: CSR committee across industries

FF12 Industry	Firms with CSR committee		Firms with audit committee		All firms
	N	%	N	%	N
1) Consumer Non-Durables	861	11.41%	7,289	96.58%	7,547
2) Consumer Durables	278	9.22%	2,904	96.35%	3,014
3) Manufacturing	1,360	10.23%	12,881	96.90%	13,293
4) Oil, Gas, Coal Extraction and Products	1,590	20.95%	7,487	98.67%	7,588
5) Chemical and Allied Products	683	21.26%	3,143	97.82%	3,213
6) Business Equipment	505	2.61%	19,107	98.65%	19,369
7) Telephone and Television Transmission	262	6.59%	3,887	97.71%	3,978
8) Utilities	903	24.63%	3,473	94.74%	3,666
9) Wholesale, Retail, and Some Services	870	7.89%	10,784	97.76%	11,031
10) Healthcare, Medical Equipment and Drugs	490	3.83%	12,603	98.55%	12,789
11) Finance	1,868	5.73%	31,913	97.84%	32,618
12) Other	4,163	16.04%	25,511	98.32%	25,947
Total	**13,833**	**9.60%**	**140,982**	**97.87%**	**144,053**

Panel C: CSR committees for top 20 countries by sample size

Rank	Country	Firms with CSR committee		Firms with audit committee		All firms
		N	%	N	%	N
1	United States	3,202	5.11%	62,613	99.91%	62,670
2	Canada	2,265	29.02%	7,789	99.80%	7,805
3	India	1,981	57.17%	3,465	100.00%	3,465
4	United Kingdom	1,429	5.94%	23,878	99.33%	24,039
5	South Africa	1,418	83.07%	1,707	100.00%	1,707
6	Australia	1,028	16.01%	6,391	99.52%	6,422
7	France	490	12.23%	3,689	92.11%	4,005
8	Brazil	177	27.31%	463	71.45%	648
9	Italy	151	9.63%	508	32.40%	1,568
10	China	145	3.87%	3,745	99.92%	3,748
11	Switzerland	119	6.43%	1,732	93.57%	1,851
12	Hong Kong	119	3.90%	3,054	100.00%	3,054
13	Spain	98	7.40%	1,323	99.92%	1,324
14	New Zealand	96	27.59%	348	100.00%	348
15	Portugal	90	30.30%	225	75.76%	297
16	Netherlands	80	6.32%	1,243	98.18%	1,266
17	South Korea	67	21.54%	304	97.75%	311
18	Thailand	66	26.19%	252	100.00%	252
19	Germany	61	2.47%	2,359	95.47%	2,471
20	Russia	61	13.26%	460	100.00%	460

Table 3
Characteristics of firms with versus without CSR committee

Variables	All Firms N=144053			Without CSR committee N=130220	With CSR committee N=13833	
	Mean	**Median**	**SD**	**Mean**	**Mean**	**MeanDiff**
Country and industry characteristics:						
Post CSR disclosure regulation	0.31	0.00	0.46	0.29	0.47	-0.18***
GDP per capita	10.55	10.75	0.74	10.61	9.97	0.64***
High-polluting industry	0.10	0.00	0.30	0.09	0.23	-0.14***
Board characteristics:						
Board size	6.80	6.00	3.19	6.54	9.33	-2.79***
Board external busyness	1.66	1.50	0.67	1.64	1.86	-0.22***
Board internal busyness	2.04	2.00	0.66	2.00	2.38	-0.38***
Independent director%	0.76	0.83	0.27	0.77	0.71	0.06***
Female director%	0.11	0.06	0.13	0.10	0.15	-0.04***
Director in non-for-profit%	0.12	0.00	0.16	0.12	0.16	-0.04***
Board connectedness to CSR directors%	0.07	0.00	0.14	0.05	0.25	-0.20***
Board exposure to CSR risk	0.38	0.19	0.50	0.35	0.48	-0.13***
Firm characteristics:						
ROA	0.03	0.08	0.26	0.02	0.08	-0.06***
Tobin's q	1.81	1.27	1.59	1.83	1.65	0.18***
Capital expenditure	0.04	0.02	0.06	0.04	0.06	-0.02***
Foreign institutional ownership%	0.07	0.03	0.12	0.07	0.12	-0.05***
Domestic institutional ownership%	0.28	0.10	0.34	0.29	0.22	0.07***
Sales growth	0.19	0.06	0.82	0.19	0.14	0.05***
Firm size	6.59	6.63	2.43	6.44	7.92	-1.48***
Leverage	0.22	0.18	0.22	0.22	0.26	-0.04***
R&D expenditure	0.03	0.00	0.09	0.04	0.01	0.03***
Insider shareholding%	0.27	0.20	0.26	0.27	0.27	0.00
Foreign sales%	0.24	0.02	0.32	0.24	0.29	-0.05***
CSR characteristics:						
CSR risk	0.48	0.00	0.82	0.40	0.86	-0.46***

Table 3 provides descriptive statistics on characteristics of sampled firms, and compares means between firms with and without CSR committees. All continuous variables are winsorized at the 1st and 99th percentiles. *, **, *** represent statistical significance at the 10%, 5% and 1% level respectively, based on t-tests for difference in means between two samples with unequal variances and Welch's approximation. All variables are defined in Appendix 1.

Table 4

Table 4
Macro Determinants of CSR Committees

Dependent Variable:	Percentage of Firms with CSR Committees						Market Capitalization Percentage of Firms with CSR Committees					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
EPI	0.003**	0.006**					0.004*	0.005*				
	(0.001)	(0.003)					(0.002)	(0.003)				
Social norm			0.037**	-0.046					0.053**	-0.017		
			(0.016)	(0.038)					(0.022)	(0.030)		
Post CSR disclosure regulation					0.100*	0.036					0.157**	0.016
					(0.052)	(0.039)					(0.062)	(0.033)
Common law	0.056		0.104*		0.041		0.116*		0.185**		0.097*	
	(0.041)		(0.054)		(0.037)		(0.058)		(0.077)		(0.055)	
Log(FDI/GDP)	-0.010	0.003	-0.009	0.001	-0.010*	0.002	-0.018	-0.003	-0.020	0.001	-0.018	-0.005
	(0.008)	(0.003)	(0.010)	(0.003)	(0.006)	(0.003)	(0.014)	(0.005)	(0.019)	(0.007)	(0.012)	(0.005)
Log(Mkt Cap/GDP)	0.027	0.017	0.032*	0.014	0.025*	0.005	0.063*	0.022	0.074*	0.038	0.059*	0.014
	(0.016)	(0.011)	(0.019)	(0.024)	(0.014)	(0.012)	(0.033)	(0.018)	(0.037)	(0.030)	(0.030)	(0.017)
GDP growth	-0.005	-0.001	-0.001	0.000	0.011***	-0.000	-0.007	-0.002	-0.005	-0.001	-0.015***	-0.002
	(0.004)	(0.001)	(0.004)	(0.002)	(0.003)	(0.001)	(0.005)	(0.001)	(0.006)	(0.002)	(0.004)	(0.001)
Year Fixed Effects	X	X	X	X	X	X	X	X	X	X	X	X
Country Fixed Effects		X		X		X		X		X		X
N	794	791	538	536	794	791	794	791	538	536	794	791
Adjusted R2	0.166	0.783	0.286	0.810	0.142	0.778	0.223	0.820	0.356	0.862	0.221	0.818

Table 4 reports ordinary least squares regression results on macro determinants of CSR committees. The observation is per country-year. The dependent variable is the percentage of firms with CSR committees in columns (1)-(6), and the market capitalization percentage of firms with CSR committees in columns (7)-(12). All the models are estimated based on a constant sample of firms over time. All variables are defined in Appendix 1. All independent variables are lagged by one year. Robust standard errors are clustered by country, and t-statistics are reported in the parentheses. All continuous variables are winsorized at the 1st and 99th percentiles. The intercepts are not tabulated. *, **, *** represent statistical significance at the 10%, 5% and 1% level, respectively.

Table 5
Determinants of CSR Committees

Dependent Variable: CSR Committee	Predicted Sign	All Countries				Exclude India
		(1)	(2)	(3)	(4)	(5)
Foreign institutional ownership%	+	0.105***	0.111***	0.100***	0.092***	0.081**
		(0.021)	(0.021)	(0.034)	(0.034)	(0.033)
Foreign sales%	+	0.028***	0.008	0.054***	0.008	0.008
		(0.006)	(0.005)	(0.012)	(0.010)	(0.009)
High-polluting industry	+	0.075***		0.068***		
		(0.009)		(0.013)		
CSR risk	+			0.053***	0.006*	0.010***
				(0.006)	(0.003)	(0.003)
Board size	+	0.016***	0.009***	0.018***	0.010***	0.008***
		(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Board external busyness	-	-0.017***	-0.012***	-0.038***	-0.021***	-0.005
		(0.003)	(0.002)	(0.006)	(0.005)	(0.005)
Board internal busyness	?	0.053***	0.045***	0.080***	0.077***	0.050***
		(0.003)	(0.003)	(0.007)	(0.005)	(0.005)
Board connectedness to CSR directors%	+	0.523***	0.273***	0.578***	0.300***	0.155***
		(0.020)	(0.015)	(0.031)	(0.022)	(0.021)
Post CSR disclosure regulation	+	0.063***	0.067***	0.115***	0.118***	0.024***
		(0.005)	(0.005)	(0.010)	(0.010)	(0.008)
GDP per capita		0.043***	0.053***	0.065***	0.050***	-0.061***
		(0.010)	(0.010)	(0.017)	(0.017)	(0.017)
Domestic institutional ownership%		-0.010	-0.021***	-0.014	0.013	0.015
		(0.007)	(0.008)	(0.016)	(0.017)	(0.017)
Firm size		0.002*	0.007***	-0.008***	0.003	0.004
		(0.001)	(0.002)	(0.002)	(0.004)	(0.004)
ROA		-0.004	-0.006*	0.005	-0.017*	-0.020**
		(0.005)	(0.003)	(0.015)	(0.010)	(0.010)
Leverage		0.009	0.003	0.048***	0.002	0.005
		(0.007)	(0.006)	(0.017)	(0.016)	(0.015)
Tobin's q		-0.001	0.001	-0.006***	0.001	-0.002
		(0.001)	(0.001)	(0.002)	(0.002)	(0.001)
Capital expenditure		0.206***	-0.069***	0.287***	-0.136***	-0.003
		(0.027)	(0.018)	(0.057)	(0.041)	(0.037)

R&D expenditure	-0.017	0.005	-0.095**	0.006	-0.011
	(0.013)	(0.009)	(0.040)	(0.035)	(0.034)
Insider shareholding%	0.018***	0.010**	0.025*	0.020**	0.002
	(0.006)	(0.004)	(0.014)	(0.009)	(0.009)
Year Fixed Effects	X	X	X	X	X
Country Fixed Effects	X		X		
Firm Fixed Effects		X		X	X
N	144053	142114	46868	46458	44278
Adjusted R2	0.326	0.783	0.339	0.808	0.828

Table 5 reports linear probability regression results on determinants of CSR committees. The dependent variable is *CSR committee*, which equals 1 for companies with at least one CSR committee, and 0 otherwise. Results with (columns (3)-(5)) and without (columns (1)-(2)) *CSR risk*, measured based on environmental and social incidents captured by RepRisk, are both reported due to RepRisk's limited coverage. Column (5) repeats the model in column (4) excluding firms based in India. All variables are defined in Appendix 1. All independent variables are lagged by one year. Robust standard errors are clustered by firm, and t-statistics are reported in the parentheses. All continuous variables are winsorized at the 1st and 99th percentiles. The intercepts are not tabulated. *, **, *** represent statistical significance at the 10%, 5% and 1% level, respectively.

Table 6
Determinants of Early and Late CSR Committees

Dependent Variable: CSR Committee Type	Early vs. non-adopter (1)	Late vs. non-adopter (2)	Early vs. non-adopter (3)	Late vs. non-adopter (4)	Early vs. non-adopter (5)	Late vs. non-adopter (6)	Early vs. non-adopter (7)	Late vs. non-adopter (8)
Foreign institutional ownership%	1.004*	0.894**	0.724	0.519	0.855	0.677	0.750	0.460
	(0.559)	(0.414)	(0.582)	(0.427)	(0.757)	(0.544)	(0.798)	(0.572)
Foreign sales%	**0.710***	0.371***	0.402**	0.195	**0.796***	0.131	**0.515**	-0.059
	(0.164)	(0.140)	(0.178)	(0.148)	**(0.213)**	(0.210)	**(0.240)**	(0.222)
High-polluting industry	**0.912***	0.393**			**0.816***	0.165		
	(0.163)	(0.157)			**(0.203)**	(0.179)		
CSR risk					**0.493***	0.179**	**0.381***	0.139*
					(0.081)	(0.080)	**(0.087)**	(0.080)
Board size	**0.224***	0.189***	**0.233***	0.197***	**0.209***	0.155***	**0.223***	0.166***
	(0.018)	(0.015)	**(0.019)**	(0.015)	**(0.023)**	(0.019)	**(0.024)**	(0.019)
Board external busyness	**-0.261**	-0.640***	**-0.267**	-0.627***	**-0.239***	-0.529***	**-0.264***	-0.541***
	(0.107)	(0.085)	**(0.113)**	(0.085)	**(0.137)**	(0.118)	**(0.146)**	(0.117)
Board internal busyness	**0.687***	0.328***	**0.796***	0.384***	**0.749***	0.333***	**0.904***	0.406***
	(0.093)	(0.079)	**(0.099)**	(0.081)	**(0.123)**	(0.104)	**(0.129)**	(0.106)
Board connectedness to CSR directors%	4.438***	4.707***	4.117***	4.500***	4.398***	4.119***	4.214***	4.089***
	(0.319)	(0.278)	(0.334)	(0.273)	(0.447)	(0.395)	(0.456)	(0.388)
Control Variables	X	X	X	X	X	X	X	X
Year Fixed Effects	X	X	X	X	X	X	X	X
Country Fixed Effects	X	X	X	X	X	X	X	X
Industry Fixed Effects			X	X			X	X
N	62425	62425	62425	62425	20503	20503	20503	20503
Pseudo R2	0.433	0.433	0.455	0.455	0.381	0.381	0.403	0.403

Table 6 reports multinomial logit regression results on determinants of CSR committees adopted at different times. The dependent variable is *CSR committee type*, which consists of three groups: non-adoption of CSR committees, early adoption of CSR committees before any national mandatory CSR disclosure regulation, and late adoption of CSR committees after any national mandatory CSR disclosure regulation. Results with (columns (5)-(8)) and without (columns (1)-(4)) *CSR risk*, measured based on environmental and social incidents captured by RepRisk, are both reported due to RepRisk's limited coverage. All variables are defined in Appendix 1.Due to the control of fixed effects, only years and countries with at least one early adopter and one late adopter remain in the regression sample. Control variables are the same as in Table 4. All independent variables are lagged by one year. Robust standard errors are clustered by firm, and t-statistics are reported in the parentheses. All continuous variables are winsorized at the 1st and 99th percentiles. The intercepts are not tabulated. *, **, *** represent statistical significance at the 10%, 5% and 1% level, respectively.

Table 7
CSR Consequences of CSR Committees

Panel A: Two Stages Least Squares

Dependent Variable:	1st Stage CSR Committee	2nd Stage CSR Risk			
		Year+1	Year+2	Year+3	Year+4
	(1)	(2)	(3)	(4)	(5)
CSR committee		-0.033	0.071	-0.299*	-0.486**
		(0.102)	(0.135)	(0.161)	(0.239)
Board connectedness to CSR directors%	0.309***				
	(0.023)				
Board exposure to CSR risk	-0.012***	0.051***	0.047***	0.032***	0.035***
	(0.004)	(0.009)	(0.010)	(0.010)	(0.012)
Foreign institutional ownership%	0.095***	0.273***	0.286***	0.229***	0.087
	(0.035)	(0.060)	(0.074)	(0.084)	(0.093)
Foreign sales%	0.009	0.032	0.012	0.021	0.024
	(0.011)	(0.021)	(0.024)	(0.028)	(0.030)
CSR risk	0.006*	0.194***	0.074***	0.007	-0.041***
	(0.003)	(0.009)	(0.009)	(0.009)	(0.010)
Board size	0.013***	0.005**	0.001	0.005	0.010**
	(0.001)	(0.002)	(0.003)	(0.003)	(0.004)
Board external busyness	-0.024***	-0.018*	-0.003	0.028**	0.022
	(0.006)	(0.009)	(0.011)	(0.013)	(0.015)
Board internal busyness	0.114***	0.004	-0.001	0.049**	0.083***
	(0.007)	(0.015)	(0.019)	(0.021)	(0.027)
Post CSR disclosure regulation	0.108***	-0.024	-0.061**	-0.008	0.016
	(0.010)	(0.019)	(0.029)	(0.033)	(0.036)
GDP per capita	0.044**	-0.036	-0.029	-0.084*	-0.105*
	(0.020)	(0.035)	(0.045)	(0.051)	(0.059)
Domestic institutional ownership%	0.012	-0.134***	-0.191***	-0.138***	-0.150***
	(0.018)	(0.035)	(0.041)	(0.048)	(0.054)
Firm size	0.001	0.050***	0.054***	0.064***	0.058***
	(0.005)	(0.009)	(0.011)	(0.012)	(0.015)
ROA	-0.029**	-0.018	-0.036	0.027	-0.022
	(0.011)	(0.024)	(0.026)	(0.028)	(0.035)
Leverage	0.009	-0.018	-0.005	-0.012	-0.033

	(0.016)	(0.031)	(0.036)	(0.040)	(0.048)
Tobin's q	-0.000	0.004	0.008*	0.012**	0.007
	(0.002)	(0.004)	(0.004)	(0.005)	(0.006)
Capital expenditure	-0.123***	0.221***	0.168*	0.164	0.043
	(0.047)	(0.082)	(0.094)	(0.102)	(0.110)
R&D expenditure	-0.039	0.102	0.224*	0.169	0.121
	(0.051)	(0.128)	(0.136)	(0.137)	(0.156)
Insider shareholding%	0.021**	0.059***	0.056**	0.060**	0.062**
	(0.011)	(0.021)	(0.023)	(0.024)	(0.026)
Independent director%	-0.065***	0.052*	0.070**	0.010	0.002
	(0.019)	(0.030)	(0.035)	(0.038)	(0.042)
Female director%	0.123***	0.033	0.003	0.046	0.117*
	(0.028)	(0.043)	(0.053)	(0.058)	(0.069)
Director in non-for-profit%	-0.030*	0.043	0.085**	0.066	0.042
	(0.017)	(0.031)	(0.038)	(0.044)	(0.046)
Year Fixed Effects	X	X	X	X	X
Firm Fixed Effects	X	X	X	X	X
N	38585	38585	33382	28562	24076
Centered R2		0.153	0.116	0.074	0.034
Kleibergen-Paap rk LM Chi2 (P-value)		151.088 (0.000)	132.450 (0.000)	114.231 (0.000)	67.680 (0.000)
Kleibergen-Paap Wald F		174.265	144.620	121.310	68.861

Table 7 reports regressions results on the consequence of CSR committees on CSR risk. Panel A presents LIML estimates using the full sample. Both stages of the 2SLS model are jointly estimated. All variables are defined in Appendix 1. Robust standard errors are clustered by firm, and t-statistics are reported in the parentheses. All continuous variables are winsorized at the 1st and 99th percentiles. The intercepts are not tabulated. *, **, *** represent statistical significance at the 10%, 5% and 1% level, respectively.

Panel B: Ordinary Least Squares and Two Stages Least Squares Excluding India

Dependent Variable: CSR Risk	OLS				2SLS Excluding India			
	Year+1	Year+2	Year+3	Year+4	Year+1	Year+2	Year+3	Year+4
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CSR committee	-0.000	-0.008	-0.023	-0.050*	0.074	0.294	-0.320	-0.583*
	(0.017)	(0.020)	(0.024)	(0.028)	(0.227)	(0.281)	(0.280)	(0.322)
Control Variables	X	X	X	X	X	X	X	X
Year Fixed Effects	X	X	X	X	X	X	X	X
Firm Fixed Effects	X	X	X	X	X	X	X	X
N	38588	33385	28565	24079	36774	31815	27235	22941
Adjusted/Centered R2	0.757	0.760	0.775	0.790	0.157	0.113	0.076	0.029

Table 7 reports regressions results on the consequence of CSR committees on CSR risk. Panel B presents OLS estimates using the full sample and LIML estimates excluding firms headquartered in India. Both stages of the 2SLS model are jointly estimated. All variables are defined in Appendix 1. Robust standard errors are clustered by firm, and t-statistics are reported in the parentheses. All continuous variables are winsorized at the 1st and 99th percentiles. The intercepts are not tabulated. *, **, *** represent statistical significance at the 10%, 5% and 1% level, respectively.

Table 8
Profitability Consequences of CSR Committees

Panel A: Two Stages Least Squares

Dependent Variable:	1st Stage CSR committee	2nd Stage ROA			
		Year+1	Year+2	Year+3	Year+4
	(1)	(2)	(3)	(4)	(5)
CSR committee		-0.069***	-0.063**	-0.096***	-0.123***
		(0.022)	(0.027)	(0.031)	(0.041)
Board connectedness to CSR directors%	0.294***				
	(0.016)				
Control Variables	X	X	X	X	X
Year Fixed Effects	X	X	X	X	X
Firm Fixed Effects	X	X	X	X	X
N	141643	141643	121673	103755	88471
Centered R2		0.050	0.018	0.011	0.004
Kleibergen-Paap rk LM Chi2 (P-value)		271.770 (0.000)	230.433 (0.000)	192.415 (0.000)	124.886 (0.000)
Kleibergen-Paap Wald F		339.722	284.083	235.902	149.466

Panel B: Ordinary Least Squares and Two Stages Least Squares Excluding India

Dependent Variable: ROA	OLS				2SLS Excluding India			
	Year+1	Year+2	Year+3	Year+4	Year+1	Year+2	Year+3	Year+4
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CSR committee	-0.006*	-0.004	-0.002	0.002	-0.121***	-0.108***	-0.136***	-0.142***
	(0.003)	(0.004)	(0.004)	(0.004)	(0.035)	(0.041)	(0.043)	(0.049)
Control Variables	X	X	X	X	X	X	X	X
Year Fixed Effects	X	X	X	X	X	X	X	X
Firm Fixed Effects	X	X	X	X	X	X	X	X
N	141657	121683	103762	88477	138209	118824	101500	86594
Adjusted/Centered R2	0.633	0.621	0.617	0.613	0.045	0.014	0.006	0.002

Table 8 reports regressions results on the consequence of CSR committees on profitability. Panel A presents LIML estimates using the full sample, Panel B presents OLS estimates using the full sample and LIML estimates excluding firms headquartered in India. Both stages of the 2SLS model are jointly estimated. All variables are defined in Appendix 1. Robust standard errors are clustered by firm, and t-statistics are reported in the parentheses. All continuous variables are winsorized at the 1st and 99th percentiles. The intercepts are not tabulated. *, **, *** represent statistical significance at the 10%, 5% and 1% level, respectively.

Table 9
Capital Expenditure Consequences of CSR Committees

Panel A: Two Stages Least Squares

Dependent Variable:	1st Stage CSR committee	2nd Stage Capital Expenditure			
		Year+1	Year+2	Year+3	Year+4
	(1)	(2)	(3)	(4)	(5)
CSR committee		-0.013**	-0.017**	-0.022***	-0.022**
		(0.006)	(0.008)	(0.008)	(0.010)
Board connectedness to CSR directors%	0.294***				
	(0.016)				
Control Variables	X	X	X	X	X
Year Fixed Effects	X	X	X	X	X
Firm Fixed Effects	X	X	X	X	X
N	142114	142114	122144	104215	88882
Centered R2		0.124	0.038	0.030	0.030
Kleibergen-Paap rk LM Chi2 (P-value)		272.717 (0.000)	231.066 (0.000)	192.545 (0.000)	125.973 (0.000)
Kleibergen-Paap Wald F		340.957	284.826	236.059	150.804

Panel B: Ordinary Least Squares and Two Stages Least Squares Excluding India

Dependent Variable: Capital Expenditure	OLS				2SLS Excluding India			
	Year+1	Year+2	Year+3	Year+4	Year+1	Year+2	Year+3	Year+4
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CSR committee	-0.004***	-0.005***	-0.004***	-0.005***	-0.013	-0.020*	-0.027**	-0.025**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.009)	(0.011)	(0.011)	(0.012)
Control Variables	X	X	X	X	X	X	X	X
Year Fixed Effects	X	X	X	X	X	X	X	X
Firm Fixed Effects	X	X	X	X	X	X	X	X
N	142128	122154	104222	88888	138678	119295	101960	87005
Adjusted/Centered R2	0.648	0.627	0.632	0.644	0.120	0.035	0.026	0.027

Table 9 reports regressions results on the consequence of CSR committees on capital expenditure. Panel A presents LIML estimates using the full sample, Panel B presents OLS estimates using the full sample and LIML estimates excluding firms headquartered in India. Both stages of the 2SLS model are jointly estimated. All variables are defined in Appendix 1. Robust standard errors are clustered by firm, and t-statistics are reported in the parentheses. All continuous variables are winsorized at the 1st and 99th percentiles. The intercepts are not tabulated. *, **, *** represent statistical significance at the 10%, 5% and 1% level, respectively.

Table 10
Sales Growth Consequences of CSR Committees

Panel A: Two Stages Least Squares

Dependent Variable:	1st Stage CSR committee	2nd Stage Sales Growth			
		Year+1	Year+2	Year+3	Year+4
	(1)	(2)	(3)	(4)	(5)
CSR committee		-0.248**	-0.323***	-0.166	-0.156
		(0.112)	(0.111)	(0.126)	(0.174)
Board connectedness to CSR directors%	0.297***				
	(0.017)				
Control Variables	X	X	X	X	X
Year Fixed Effects	X	X	X	X	X
Firm Fixed Effects	X	X	X	X	X
N	136100	136100	117289	100335	85731
Centered R2		0.035	0.029	0.020	0.013
Kleibergen-Paap rk LM Chi2 (P-value)		257.970 (0.000)	219.338 (0.000)	181.254 (0.000)	118.128 (0.000)
Kleibergen-Paap Wald F		323.303	270.722	221.900	141.454

Panel B: Ordinary Least Squares and Two Stages Least Squares Excluding India

Dependent Variable: Sales Growth	OLS				2SLS Excluding India			
	Year+1	Year+2	Year+3	Year+4	Year+1	Year+2	Year+3	Year+4
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CSR committee	-0.046***	-0.031**	-0.043***	-0.021	-0.351*	-0.446**	-0.195	-0.193
	(0.016)	(0.015)	(0.014)	(0.017)	(0.184)	(0.174)	(0.176)	(0.206)
Control Variables	X	X	X	X	X	X	X	X
Year Fixed Effects	X	X	X	X	X	X	X	X
Firm Fixed Effects	X	X	X	X	X	X	X	X
N	136114	117299	100342	85737	132673	114446	98081	83855
Adjusted/Centered R2	0.133	0.122	0.101	0.098	0.034	0.026	0.019	0.013

Table 10 reports regressions results on the consequence of CSR committees on sales growth. Panel A presents LIML estimates using the full sample, Panel B presents OLS estimates using the full sample and LIML estimates excluding firms headquartered in India. Both stages of the 2SLS model are jointly estimated. All variables are defined in Appendix 1. Robust standard errors are clustered by firm, and t-statistics are reported in the parentheses. All continuous variables are winsorized at the 1st and 99th percentiles. The intercepts are not tabulated. *, **, *** represent statistical significance at the 10%, 5% and 1% level, respectively.