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ABSTRACT

We provide worldwide large-sample evidence of a recent innovation in corporate governance: the voluntary creation of a separate board committee to oversee corporate social responsibility (CSR) activities. Our evidence suggests that a firm's decision to voluntarily adopt a CSR committee is shaped by external demands from shareholders and other stakeholders, as well as internal needs and costs associated with forming a separate CSR committee. Upon the formation of CSR committees, firms enhance their internal CSR management practices and experience improvements in future environmental and social outcomes. Notably, the environmental improvements are more pronounced among firms operating in industries where environmental concerns are material and in countries with stronger environmental efforts. Overall, our evidence suggests that CSR committees represent a substantive corporate governance mechanism in improving firms' environmental and social impact.

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

JEL codes: G34, M14, M41

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1. Introduction

In recent years, alongside regulatory efforts to standardize sustainability reporting requirements, regulators worldwide have been deliberating on the appropriate role and structure for boards to oversee corporate social responsibility (CSR) issues. While the recently passed SEC Climate Disclosure Rule in 2024 requires publicly listed firms in the US to disclose board oversight of climate-related risk, for example to identify board committees or subcommittees responsible for overseeing climate-related risk and related transition, the rule clearly states that it is not intended to influence board composition or board practices.[1] Similarly, the European Sustainability Reporting Standards (ESRS), mandated under the European Union's Corporate Sustainability Reporting Directive (CSRD) in 2023, require firms to describe board oversight of the processes put in place to manage material sustainability risks.[2] The European Union Council rejected the proposal to include mandatory obligations for directors to oversee human rights and environmental due diligence in the final draft of the Corporate Sustainability Due Diligence Directive (CSDDD).[3] Despite a lack of regulatory consensus, there is an uptick in worldwide corporate practices to voluntarily expand board responsibilities in overseeing CSR issues. From 2002 to 2018, the global prevalence of publicly listed companies voluntarily establishing dedicated CSR board committees to oversee and advise on CSR-related activities rose from 8.54% to 10.58%.[4] This study aims to explore this innovation in board practices and shed light on the regulatory debate on board oversight of CSR issues. In particular, we ask two related research questions: first, what types of firms are

[1] See SEC: The Enhancement and Standardization of Climate-Related Disclosures for Investors.
[2] See ESRS 2 General Disclosures.
[3] See EU Council Fails to Approve New Environmental, Human Rights Sustainability Due Diligence Law - ESG Today.
[4] South Africa and India are the only two countries in our sample that mandated the formation of some form of CSR committee. We exclude these two countries from this analysis. Firms may also establish separate CSR advisory committees or taskforces that are not on their corporate boards. Our study only examines separate CSR committees on boards. For ease of expression, any reference to CSR committees in the rest of the study refers to board CSR committees.

more likely to voluntarily create separate CSR committees on their corporate boards? Second, are CSR committees associated with observable changes in CSR outcomes?

To address the first research question, we draw upon resource dependence, legitimacy, institutional, and agency theories from existing literature to better understand the cost-benefit tradeoffs firms make when voluntarily adopting CSR committees. A dedicated committee could enhance a board's capacity in providing resources, as recruiting members with diverse expertise and networks widens the advisory scope and extends connections (resource dependence theory). Firms could demonstrate their commitment to addressing social and environmental issues and aligning with societal values and expectations by establishing separate CSR committees (legitimacy theory). In addition, firms might form CSR committees to emulate the practices of their industry peers (institutional theory). These arguments predict a positive association between external pressures from socially conscious shareholders and other stakeholders and the establishment of CSR committees. However, resource dependence theory also suggests that when shareholders' and other stakeholders' interests conflict, a CSR committee could push the board to divert resources from maximizing shareholder value to prioritizing other stakeholder interests. This argument predicts a negative association between a less socially conscious shareholder base and the adoption of CSR committees.

Agency theory posits that dedicated board committees on specific issues could enhance board monitoring capabilities by advocating for the recruitment of individuals with pertinent expertise, increasing work efficiency via task division, and improving individual accountability. Furthermore, assigning decision-making responsibilities to smaller sub-groups makes it easier for these smaller groups to reach a consensus and mitigates the risk of groupthink in overall board meetings. However, the creation of a new committee also incurs costs, including those related to the search and recruitment of new directors, as well as burdening existing directors with additional duties. Given the multifaceted nature of CSR issues, delegating decision-

making to committee meetings rather than addressing them in full board meetings can lead to challenges with information segregation, consequently diminishing the board's overall monitoring effectiveness. Therefore, we expect that the decision to establish a CSR committee reflects a firm's strategic tradeoff between internal monitoring necessities and associated costs.

To test these theoretical predictions, we compile a comprehensive dataset on board CSR committees, encompassing over 18,000 publicly listed firms across 71 countries between 2002 and 2018. Consistent with our predictions for external pressures from socially conscious shareholders and stakeholders, we observe that the enactment of national mandatory CSR reporting regulation, more advanced country-level environmental performance, higher ownership by socially conscious institutional investors, and greater pressure from industry peers also forming CSR committees are associated with a higher likelihood of CSR committee adoption. In addition, firms operating in industries with material environmental and social issues are more likely to have CSR committees. Consistent with shareholder concerns about CSR committees diverting resources away from maximizing shareholder value, we find a negative association between the likelihood of CSR committee adoption and the ownership by less socially conscious institutional investors. We also observe that the likelihood of establishing CSR committees is positively associated with internal monitoring needs as measured by board size and board complexity, and negatively associated with external search costs as measured by the inverse of board connectedness to the talent pool of CSR directors. These results support agency theory's view that voluntarily forming a separate CSR committee reflects a firm's internal tradeoff of board monitoring costs and benefits.

Next, we investigate whether the voluntary establishment of separate CSR committees is accompanied by subsequent improvements in firms' CSR performance. On the one hand, dedicated CSR committees could enhance boards' effectiveness in monitoring and advising on CSR-related issues, potentially improving firms' CSR performance. On the other hand, the

decoupling argument suggests that firms could adopt CSR committees as a form of "window-dressing" without making any real changes. Our findings suggest that CSR committees are on average effective. Specifically, we find that CSR committee adopters experience subsequent improvements in environmental and social outcomes, evidenced by lower carbon emissions and fewer employee injuries. Additionally, our cross-sectional analysis suggests that the improvement in environmental performance is more pronounced among firms operating in industries where environmental issues are material and in countries with better national-level environmental performance. In contrast, we do not find that social performance is more pronounced among firms operating in industries where social issues are considered material or those having a higher proportion of equity held by socially conscious institutional investors. Further analysis reveals that firms with CSR committees implement more CSR management practices, such as CSR policies, initiatives, training, contracting, and reporting. These enhancements signal a firm's commitment to integrate CSR into its core operations, therefore fostering a positive trajectory in environmental and social outcomes. Overall, our findings support the notion that voluntarily adopted CSR committees are not merely window-dressing devices. Instead, they enhance firms' CSR performance, likely through the implementation of improved management practices.

Finally, we conduct additional analysis to examine the robustness of our results. First, to mitigate endogeneity concerns, we match firms that have adopted CSR committees with those that have never adopted them. This matching is done employing either propensity scores or multivariate distances in the year prior to CSR committee adoption, within the same country and industry, and selecting the nearest neighbor based on characteristics our first set of tests identify to be associated with CSR committee adoption. This matching approach ensures that our control group are ex-ante as similar as possible to CSR committee adopters. Second, we refine our CSR committee definition by limiting the scope to a narrower range of CSR topics

and excluding those with shared responsibilities in other major committees, such as nomination, audit, and compensation.[5] Third, since 1.7% of the unique firms in our sample dissolve their CSR committees, we exclude firm-year observations after CSR committee dissolution. Our main results remain consistent across these alternative specifications. Lastly, while the study focuses on voluntary CSR committee adoption, we find that in India and South Africa, two countries that mandated CSR committees during our sample period, the association between CSR committees and CSR outcomes is statistically insignificant. This finding provides further support for our prediction that voluntarily adopted CSR committees are likely to be effective as firms adopt them after considering associated benefits and costs.

This paper contributes to the literature in three main ways. First, it adds to the literature on the relation between corporate governance and CSR performance. Our work complements a recent study by Cohen et al. (2023), which examines another global governance trend related to CSR: the integration of ESG metrics into executive compensation contracts. Aligning with our findings, they conclude that firms adopt ESG-based performance compensation to resonate with shareholders and other stakeholders and note that such adoption is accompanied by improvements in CSR performance. We argue that the voluntary creation of CSR board committees represents a more fundamental approach to corporate governance reform. In this vein, our study also adds to the literature on managerial practices aimed at improving CSR performance. Our findings on the CSR committees' link with additional CSR policies, initiatives, training, contracting, and reporting practices provide evidence on the mechanisms through which CSR committees can be effective. Two concurrent studies examine the association between board characteristics and firms' CSR performance. Hsu et al. (2024) find that having female directors leads to better environmental performance and lower

[5] For this alternative CSR committee definition, we only include those keywords labeled as "closely related to CSR in Appendix 3.

environmental risk. Amiraslani et al. (2024) find that boards' overall risk oversight is positively associated with firms' environmental and social performance. Our study differs from these studies as we focus on a formal functionality of the board, the formation of a dedicated CSR subcommittee, and our results suggest that the relation between CSR committee adoption and CSR performance is incremental to overall board characteristics such as independence, experience, and gender diversity.

Two studies examine the antecedents of CSR committees. Eccles et al. (2014) identify a firm's internal sustainability culture as a key factor driving the establishment of CSR committee using a US sample. Conversely, Gennari and Salvioni (2019) investigate country-level factors, documenting the European Union's non-financial disclosure mandate as the driver for the adoption of CSR committees. Our study complements and extends these studies by utilizing a comprehensive international sample to evaluate a spectrum of factors at the firm, industry, and country levels that influence corporate decision-making.

Second, our study adds to the limited literature on board committees. Kolev et al. (2019) conduct a comprehensive review, observing that existing studies primarily utilize agency theory to explain the formation and efficacy of conventional board committees. Our study enriches this literature by exploring the dynamics of a less-studied, unconventional type of board committee through the lens of resource dependence, legitimacy, institutional, and agency theories, offering new perspectives into the rationale behind board committee formations and their operational effectiveness.

Third, our findings that firms voluntarily establish CSR committees in response to external pressures, while balancing related benefits and costs, and that these voluntarily adopted CSR committees are, on average, associated with positive CSR outcomes, provide valuable feedback to ongoing regulatory deliberations over appropriate board practices to enhance oversight of CSR issues.

The rest of the paper proceeds as follows. We develop our hypotheses in Section 2. Section 3 describes the sample and our definitions of the empirical variables. Our empirical findings are detailed in Section 4. Section 5 discusses our conclusions.

2. Hypothesis Development

In recent years, CSR-related topics have become standing items on many boards' agendas to address the increasing demands from socially conscious shareholders and various other stakeholders (Dyck et al. 2019). To enhance the oversight of these issues, many boards are expanding their responsibilities by adding new committees dedicated to CSR issues (i.e., CSR committees), or reallocating oversight responsibilities to existing committees (Cooper et al. 2022). To understand why a firm voluntarily creates a separate board committee to address CSR issues, we delve into existing theories on board committees and corporate governance.

Resource dependence theory posits that a crucial function of the board is to provide resources, such as advice and counsel, legitimacy and reputation, channels of communication, and access to external networks (Hillman and Dalziel 2003; Pfeffer and Salancik 2003). We argue that CSR committees could be instrumental in bolstering the provision of these resources. Establishing a separate committee enables the board to recruit members from diverse backgrounds, thereby enriching the advisory process on CSR issues with a wider array of perspectives. CSR committees serve as conduits for corporate boards to engage with key stakeholders, including non-governmental organizations (NGOs), community groups, and regulatory bodies, fostering positive relations. Such interactions offer valuable insights into societal norms and emerging environmental challenges, enabling firms to better align their strategies with societal expectations, external demands, and opportunities. Moreover, legitimacy theory posits that a dedicated CSR committee demonstrates that the firm's governance structure has a formal process to incorporate diverse stakeholders' voices and to

balance their interests in corporate decision-making, signaling its commitment to responsible business practices (Lin 2021). This elevated legitimacy can enhance the firm's reputation, foster loyalty among customers, employees, and socially conscious investors (Bénabou and Tirole 2010). These arguments thus lead to the following prediction:

P1: There is a positive association between the establishment of CSR committees and external pressures from regulators, socially conscious shareholders, and other stakeholders.

Institutional theory posits that organizations often model themselves on similar organizations in their field that they perceive as more legitimate or successful (Meyer and Rowan 1977; DiMaggio and Powell 1983). This process, known as mimetic isomorphism, may drive the creation of CSR committees as firms strive to replicate the structures and practices of industry leaders or peers that have successfully integrated CSR into their corporate governance frameworks. This line of reasoning leads to the following prediction:

P2: There is a positive association between CSR committee adoption and industry peer pressure.

However, shareholder interest in value maximization may not always be aligned with other stakeholder priorities such as environmental and social issues. In the event of a conflict between shareholders and other stakeholders, a CSR committee could push the board to divert resources from maximizing traditional shareholder interests to prioritizing other stakeholder interests. This prioritization can result in the reallocation of financial and human resources to CSR initiatives, increased operational costs, and more complex decision-making processes, which may detract from activities directly aimed at maximizing shareholder value. Thus, firms with a higher traditional, less socially conscious shareholder base may be constrained by these shareholders from forming CSR committees to oversee and prioritize CSR issues. This line of reasoning leads to the following prediction:

P3: There is a negative association between CSR committee adoption and ownership by less socially conscious shareholders.

Agency theory argues that the main function of corporate boards is to monitor managers (Jensen and Meckling 1976; Fama and Jensen 1983). By establishing board committees focused on specific areas and hiring individuals with relevant expertise, boards can better monitor managerial actions. CSR is a complex and multidimensional topic that encompasses environmental, social and governance (ESG) aspects. A CSR committee can be responsible for setting up the firm's CSR initiatives and policies and ensuring that they are aligned with the firm's broader business strategy. The committee can also establish key performance indicators (KPIs) to measure the effectiveness and impact of CSR initiatives and integrate these metrics into managerial incentives. In addition, the formation of board committees is in line with agency theory's emphasis on accountability and transparency. Assigning directors to CSR committees increases their individual accountability to CSR issues and mitigates free-riding problems. By segmenting board directors into sub-groups, committees facilitate consensus-building and counteract groupthink (Adams et al. 2021). 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 overall board meetings.

However, establishing a separate CSR committee entails costs. Current directors might lack relevant experience or expertise. Even if they have CSR experience and expertise, assigning them to an additional committee could increase their workload, as committee members face additional responsibilities and committee meetings occur more frequently than overall board meetings (Adams et al. 2021; Kesner 1988; Klein 1998).[6] There are also search and hiring costs when firms need to externally recruit suitable directors for the CSR committee,

[6] Analyzing a sample of U.S. publicly listed firms between 1996 and 2010, Adams, Ragunathan, and Tumarkin (2021) find that there are 3.8 stated committee responsibilities for every stated board responsibility and 2.3 committee meetings for every board meeting.

considering the limited pool of candidates with appropriate expertise.[7] An information segregation problem could emerge with separate committees, where directors not on the committee might be uninformed about its activities or might strategically manipulate or conceal information to increase their influence (Reeb and Upadhyay 2010; Adams et al. 2021). This, in turn, could compromise the committee's monitoring and advising effectiveness. This problem is particularly acute for CSR committees, given that CSR issues often span multiple disciplines and necessitate contributions from other committees. For example, integrating ESG metrics into executive compensation incentives might require insights from the compensation committee, while preparing CSR reports could involve the audit committee. Firms for which these costs outweigh the anticipated benefits might opt to weave CSR considerations into various aspects of their operations rather than establish a dedicated CSR board committee. The above arguments thus lead to the following prediction:

P4: The establishment of CSR committees is positively associated with firm's internal needs for monitoring CSR activities and negatively associated with the costs of having separate CSR committees.

Given the costs and benefits tradeoff in firms' decision-making process to voluntarily adopt CSR committees, one might argue that it is natural to predict that firms that do end up forming CSR committees are on average serious in its intent to implement internal CSR management practices and improve CSR outcomes. However, the decoupling argument suggests that organizations formally adopt new policies, practices, or structures to conform to

[7] Conversations with practitioners suggest that a main barrier to establishing CSR committees is the difficulty in finding directors with CSR expertise. Similar anecdotal evidence is provided in Shapira and Nili (2023). In response to the proposed SEC climate disclosure rule requiring registrants to disclose board member or board committee responsible for the oversight of climate-related risk, some commenters expressed the concern that "*the identification of key personnel could lead to poaching and would undermine registrant's efforts to retain individuals with climate expertise*." (p. 164, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, SEC, 2024).

external pressures and maintain legitimacy, but may not actually implement them in their day-to-day operations (Meyer and Rowan 1977). Firms could use public announcements of CSR committee formation as a marketing tool to attract consumers and employees who are particularly conscious of CSR issues. Firms may also use the formation of CSR committees to boost their ESG ratings and thus attract rating-sensitive investors.[8] Nevertheless, if firms facing external pressures consider internal cost-benefit tradeoffs before voluntarily establishing CSR committees, then they are less likely to use them as window-dressing devices. This leads to the following prediction:

P5: CSR committees are positively associated with future CSR outcomes.

3. Sample, Data, and Research Design

3.1 Sample and Data

We start with the universe of board directors in the BoardEx database, which provides information on board committees, directors' educational background and employment history globally from 1999. We aggregate board information by using unique board identifiers and merge with firm-level financial information from Compustat Global and WorldScope using ISIN. We further combine the board data with FactSet to obtain information on institutional ownership. These steps lead to 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 8,677 observations. We then remove all 6,124 firm-year observations of firms headquartered in India and South Africa as these two countries mandated CSR committees during our sample period. We further drop all observations with unavailable

[8] ESG rating agencies typically use CSR-related board functionality as inputs for their ESG scores. For example, Sustainalytics includes board's oversight of ESG issues in its governance score. Refinitiv uses the information on CSR committees as data points when calculating its governance rating. MSCI considers the existence of a board committee responsible for business ethics and corruption issues as a key governance metric.

information on our regression variables in the primary analysis on the adoption of CSR committees. The final main sample consists of 137,227 firm-year observations covering 18,643 unique firms from 2002 to 2018. Table 1 presents our sample construction process.

To study CSR outcomes and management practices, we collect from the Refinitiv database environmental and social outcome measures with the most coverage as well as measures of internal CSR management practices following Fiechter et al. (2022). All data from Refinitiv was downloaded in a single batch via EIKON API to avoid data medication due to updates in methodology (Berg et al. 2021).[9] We analyze specific environmental and social practice and outcome measures instead of ESG ratings not only due to the widely criticized ambiguity and subjectivity of ESG ratings (Berg et al. 2022; Chatterji et al. 2016), but also because board characteristics are typically part of ESG ratings from which it is difficult to tease out the mechanical relation between CSR committee adoption and improved ratings performance.

Our analysis also incorporates data on country-level Environmental Performance Index (EPI) from Yale EPI. EPI does not rate countries on a year-by-year basis but provides time-series raw indicators between 1995–2020. Hence, we manually construct countries' yearly EPI following Yale EPI's 2020 methodology. We also manually collect information on 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 annually on all three aspects of ESG issues. Until the end of our sample period, approximately 40 countries have implemented legislation on CSR

[9] We choose Refinitiv as our CSR data provider because it offers the largest global coverage on specific CSR metrics dated back to 2002, whereas other prominent CSR data providers did not start their service until 2007 and only distribute aggregated ratings instead of specific data points.

reporting. A full list of initial national mandatory CSR disclosure regulation and implementation year is summarized in Appendix 2. Figure 2 visualizes countries with mandatory CSR disclosure regulation on a world map.

3.2 Adoption of CSR Committees

To test our predictions for CSR committee adoption, we estimate the following linear probability regression model[10]:

$$CSR\ committee_{i,t} = \beta_0 + \beta_1 High\ socially\ conscious\ IO_{i,t-1} + \beta_2 Low\ socially\ conscious\ IO_{i,t-1} + \beta_3 CSR\ peers_{i,t-1} + \beta_4 Environmental\text{-}material\ industry_i + \beta_5 Social\text{-}material\ industry_i + \beta_6 Post\ CSR\ disclosure\ regulation_{i,t-1} + \beta_7 EPI_{i,t-1} + \beta_8 Board\ size_{i,t-1} + \beta_9 Board\ connectedness_{i,t-1} + \beta_{10} Board\ complexity_{i,t-1} + \sum \beta_k Controls_{i,t-1} + \varepsilon_{i,t}. \quad (1)$$

The dependent variable $CSR\ committee_{i,t}$, is an indicator variable that equals to 1 if company *i* had at least one CSR committee within its board during year *t*, and 0 otherwise.[11] All independent variables are measured for company *i* at year *t-1*. We include year fixed effects in all models, adding country, industry, or firm fixed effects depending on model specifications. Below, we provide detailed definitions of variables used in this test.

3.2.1 Definition of CSR Committees

A key step in our research design is to identify the presence of a CSR committee within a company's board. The CSR committee is responsible for a wide range of environmental and social issues; hence firms use various names to label their CSR committees. To identify all possible CSR committees, we first collate all committee names from the BoardEx database.[12]

[10] We use a linear probability model to avoid non-convergence issues caused by high dimensional fixed effects.
[11] In the BoardEx database, there are instances where a single firm has more than one CSR committee within the same year. Our cross-checking with firm proxy statements and annual reports indicates that this typically arises from firms renaming their CSR committees. Consequently, while these firms effectively maintain only one CSR committee, both the old and the new CSR committees are recorded by BoardEx, resulting in multiple CSR committee entries per firm-year.
[12] An alternative method to identify CSR committees is to use the indicator variable for sustainability committees in the Refinitiv database. However, the sustainability committees identified by Refinitiv are not only limited to the board of directors but also extend to task forces consisting of senior management, i.e., management committees.

We next compile a list of CSR-related keywords drawing from extant academic literature (e.g., Flammer et al. 2019). This keyword search yields a collection of committee names linked to firms' CSR activities. We further refine this list by manual verification of each committee name. The above screening process results in identifying 704 unique CSR committee names. As a robustness check, we also consider a more stringent definition for CSR committees, termed "close CSR committees," by narrowing down the keyword list to those directly related to environmental and social issues. Specifically, we exclude keywords pertaining to broader topics, such as ethics, compliance, public interest, security, safety, and consumer issues, which may be more related to operational or regulatory matters. We also exclude CSR committees overlapped with major committee responsible for nomination, audit and compensation (Field et al. 2020). Appendix 3 reports the full list of CSR keywords and illustrates the identification logic of general as well as close CSR committees.

Our approach does not capture cases where an existing committee expands its responsibilities to encompass CSR oversight without undergoing a name change. For example, a board could allocate the oversight of human capital management to the compensation committee or sustainability responsibilities to the nominating and governance committee without modifying their titles.[13] Systematically identifying such firms is empirically challenging. However, after conversations with board members, we believe that delegating CSR-related responsibilities to an existing committee, without altering its name, suggests that CSR is a lower priority on the board's agenda. Thus, our approach is more likely to identify firms that consider CSR of sufficient significance to be explicitly reflected in their committee names.

[13] In a 2022 survey focusing on how US public firms alter their board committees to address issues like cybersecurity, sustainability and ESG, 11% respondents reported as having established new standing committees, 55% reported as having delegated the oversight responsibilities to existing board committees (Cooper et al. 2022).

Appendix 4 illustrates two examples of CSR committees in our final sample. They represent two distinct cases of CSR committee formation by firms based in the US and the UK, respectively. We obtain information about their committee responsibilities from respective regulatory filings (e.g., proxy statements). As illustrated in this table, the responsibilities of CSR committees encompass a wide array of firm activities, from policies, initiatives, and expenditures to performance measurement and monitoring.

Appendix 5 presents a more detailed case study on the creation of CSR committee by a French reinsurer, SCOR SE. In 2017, SCOR's board approved the creation of a new committee dedicated to CSR matters. Interestingly, at that time, SCOR's board already had five other standing committees, including strategic, audit, risk, compensation and nomination, and the crisis management committees. To establish a separate CSR committee to "*examine the CSR strategy and actions plans…, to follow up their implantation and to propose any actions in this respect…, [and to examine] the reports related to the CSR*" signals the company's determination in dealing with CSR-related issues. In 2018, The board changed the committee's name to "Corporate Social Responsibility and Environmental Sustainability Committee" and expanded its responsibilities to include more detailed monitoring tasks, such as to *"examine…particularly the extra-financial performance declaration", "study the extra-financial ratings" and "ensure that the executive officers implement a policy of non-discrimination and diversity"*.

3.2.2 Independent Variables of Interest

We construct a set of variables that capture firm, industry, and country characteristics associated with shareholder and other stakeholder demand for CSR activities. At the firm level, we measure shareholder demand for CSR as the ownership by socially conscious institutions (*High socially conscious IO)*. We define socially conscious institutions as those located in countries with strong labor laws, as Dyck et al. (2019) find that institutional shareholders from

these countries have stronger incentives to improve portfolio firms' ESG performance. In contrast, we expect that institutional investors based in countries with weak labor laws (*Low socially conscious IO)* face lower demand for CSR activities and are more concerned about potential shareholder-stakeholder conflicts. We also compute the percentage of country-industry peers with CSR committees (*CSR peers)* to explore whether peer pressure plays a role in popularizing of CSR committees.

At the industry level, we expect firms operating in industries facing material social and environmental issues (*social-material industry* and *environmental-material industry)* to face higher stakeholder pressures for establishing CSR committees. We follow Cho et al. (2006) in defining industries as environmental-material and extend their methodology to define social-material industries. To implement this methodology, we sum the strengths and concerns in every dimension of KLD data and then compute the average sum score for each dimension by SIC 2-digit industry groups. We classify environmentally (socially) material industries as those that are ranked within the top quartile of average sum scores. Qualitatively, environmentally material industries tend to be resource-intensive, such as chemical and allied products, mining, oil exploration, and petroleum refining. Socially material industries, on the other hand, tend to be labor-intensive, consumer-facing, or subject to higher regulatory scrutiny, such as transportation, manufacturing, public utilities, retail, brokerage, insurance, and hotels.

At the country level, legal scholars posit that mandatory CSR reporting marks the initial move towards more concrete legislation on CSR topics (Lin 2021). Consequently, we expect that firms headquartered in such countries will experience increased pressure from all stakeholders to formally incorporate CSR into their governance systems, anticipating the emergence of further CSR-related legal requirements. To identify the source of regulatory pressure, we categorize firm-year observations as "*Post CSR disclosure regulation"* if the country in which a firm is headquartered has enacted effective national mandatory CSR

disclosure regulation. We also use a country's aggregate environmental performance (*Environmental Performance Index*, or *EPI*) to capture each country's government efforts to meet established environmental policy targets and societal attitudes toward the environment.[14]

We introduce three board-level variables to capture the internal cost-benefit tradeoff a board faces when establishing a separate CSR committee. We expect the internal needs for a distinct CSR committee to increase with board size and complexity. We measure "*Board size"* using the total number of serving directors and "*Board complexity"* using the count of existing board committees. Additionally, we posit that external search costs diminish when a board has strong connections to the talent pool. We measure "*Board connectedness"* using the average number of boards with CSR committees on which each director on the focal board serves.

3.2.3 Control Variables

We control for firm characteristics that are likely to be associated with changes in board structure, including firm size measured by the natural logarithm of one plus total assets (*Firm size*), profitability (*ROA*), capital structure (*Leverage*), investor perception (*Tobin's q*), long-term investment (*Capital expenditure* and *R&D expenditure*), and the percentage of shares held by insiders (*Insider shareholding*).

3.3 CSR Committees and Future CSR Outcomes

We use the following ordinary least squares (OLS) regression model to estimate the association between CSR committee and subsequent CSR outcomes:

$$CSR\ Outcome_{i,t+n} = \beta_0 + \beta_1 CSR\ committee_{i,t} + \sum \beta_k Controls_{i,t} + \varepsilon_{i,t+n..} \quad (2)$$

[14] We also examined alternative measures for country-level sustainability performance, such as World Values Survey emancipative index, World Development Indicators including the rule of law, political stability, regulatory quality, voice and accountability, government effectiveness, and control of corruption. The results are similar as all country-level sustainability performance indicators are highly correlated with each other.

Across all model specifications, we include firm and year fixed effects to control for unobservable omitted variables that are firm-specific and time-invariant (e.g., firm culture) or time-dependent (e.g., awareness of CSR issues).

3.3.1 Measurement of CSR Outcomes

Our first set of analysis focuses on firms' CSR performance, with the dependent variables being the environmental and social outcomes for firm *i* measured one to three years (*n=1 to 3*) after establishing a CSR committee in year *t*. We examine the future CSR outcomes to shed light on the long-term implications of CSR initiatives and to mitigate the concerns about reverse causality (Flammer 2021). This horizon also reflects that the effects of board reform may not immediately materialize into firm outcomes, especially ones that may require substantial changes in firm operations (Fauver et al. 2017). We measure environmental outcomes using the natural logarithm of one plus total carbon dioxide (CO2) and CO2 equivalents emissions in tons (*Carbon emission*) and social outcomes using the natural logarithm of one plus total number of employee injuries and fatalities per one million working hours (*Injury rate*).[15] Our measures for carbon emission from Refinitiv are based on the emissions reported by firms, addressing the concerns that estimated emissions by data vendors such as Trucost are highly correlated with firms' financial performance (Aswani et al. 2024). Although these two metrics primarily reflect the negative aspects of a firm's environmental and social performance, they are relatively objective and well-populated across a broad spectrum of industries and countries in our sample (Cohen, Kadach, Ormazabal, et al. 2023; Fiechter et al. 2022).

[15] For robustness and to address concerns over the measurement difficulty of Scope 3 emissions, we alternatively measure carbon emissions by limiting them to Scope 1 and Scope 2, or Scope 1 only. The results are qualitatively the same and are therefore not tabulated.

3.3.2 Measurement of CSR Management Practices

We also explore potential channels through which CSR committees are associated with future CSR outcomes by investigating the association between CSR committees and internal CSR management practices in the following year. Following Fiechter et al. (2022), we measure management practices from five perspectives, CSR policies, CSR initiatives, CSR training, CSR contracting, and CSR reporting. *CSR policies* is the sum of all binary indicators for the existence of specific environmental and social policies, such as emission reduction policy and employee health and safety policy. Similarly, *CSR initiatives* is the sum of all binary indicators for the existence of specific environmental and social initiatives, such as waste reduction initiative and implementing an employee health and safety system. We construct *CSR training* as the sum of binary indicators for the existence of environmental and social training programs, such as environmental management training, as well as workplace health and safety training. *CSR contracting* captures the existence of sustainability-linked compensation for senior executives and/or other management bodies. Finally, we measure *CSR reporting* as the sum of all binary indicators for the existence of CSR reporting practices, including practices on CSR reporting, inclusion of corporate global activities in its CSR reports, external assurance of CSR reports, and compliance with GRI guidelines. We expect CSR board committees to have a more immediate effect on management practices than on CSR outcomes. Therefore, we assess CSR management practices in the year immediately following the adoption of CSR committees, i.e., at year $t+1$.

3.3.3 Control Variables

We include all control variables previously defined in Equation (1) in Equation (2). To address the concern that establishing a CSR committee may change the board composition which itself can be correlated with future CSR outcomes (e.g., Rao and Tilt 2016), we include three additional variables capturing board composition: the percentage of independent directors

(*Independent director*), female directors (*Female director*), and directors affiliated with non-for-profit organizations (*Director in non-for-profit*).

4. Empirical Results

4.1 Descriptive Statistics

Table 2 reports the prevalence of CSR committees over our sample period (Panel A), across industries (Panel B), and in the top 30 countries with the highest number of firms in our sample (Panel C). As a comparison, we also present the prevalence of audit committees, which were mandated in most countries.[16] From 2002 to 2018, 98.02% of unique firms in our sample have audit committees, in contrast to only 10.37% for CSR committees. Consistent with an increasing interest in CSR issues, the presence of CSR committees increased from 8.54% in 2002 to 10.58% in 2018. In terms of industry distribution, given the need for these industries to address CSR issues, it is unsurprising that CSR committees are popular within high-polluting industries, with the top three being "utilities", "chemical and allied products" 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 sample coverage, the US has 7.03% of firm-years with CSR committees, comparable to 6.43% in the UK, but far below 29.57% in Canada and 28.13% in Brazil. For reference, South Africa are India are also included in Panel C, even though these two countries are excluded in all other tables except for Table 10. As shown, South Africa (83.30%) and India (67.73%) have the highest percentages of firms with CSR committees due to their national mandatory requirement on CSR governance in recent years.

[16] 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".

Table 3, Panel A reports the descriptive statistics on our regression variables of Equation (1) for the full sample and compares the means of these characteristics between observations with and without CSR committees. The comparison suggests that firms with CSR committees are significantly different from those without. Firms with CSR committees are more likely to be held by institutional shareholders regardless of their social-consciousness orientation. Firms with CSR committees are more likely to have peer firms already having adopted CSR committees, are located in countries with better environmental performance, or operate in industries facing material social and environmental issues. Boards with CSR committees are larger and more complex. Lastly, CSR committees are more common among firms that are larger in size, more profitable, more leveraged, and spend more on capital expenditures but less on R&D. Firms with CSR committees have lower Tobin's q but higher insider shareholding.

Table 3, Panel B compares characteristics between the overall board and CSR committees for the subsample of firms with CSR committees. A typical CSR committee consists of four to five directors. Compared to the overall board, CSR committee directors are more likely to be female and company insiders. However, they seem to have similar experience with non-for-profit associations and similar level of CSR-related expertise to other directors at the board.[17]

4.2 CSR Committee Adoption

Our analysis begins by exploring the dynamics associated with the decision to adopt a board CSR committee and Table 4 reports the results. In Column (1), we include year fixed effects. We add country fixed effects in Column (2) and both country and industry fixed effects

[17] CSR expertise is measured as the percentage of CSR committee members with CSR expertise (*CSR expertise*) following prior study on directors' environmental experience (Walls and Hoffman 2013). A director is identified as having CSR expertise if his/her prior educational qualification, prior company names, role names, full description of his/her role, awards and honors, achievements or other activities include keywords listed in Appendix 3.

in Column (3). Column (4) includes year and firm fixed effects. Consistent with our conjecture that shareholder demand affects firms' decision to have CSR committees, we find that the ownership by socially conscious institutional investors has a positive and significant coefficient in all model specifications while higher ownership by less socially conscious institutions has a negative coefficient. While the former finding is consistent with socially conscious shareholders demanding better governance of CSR issues, the latter finding indicates that shareholders without a focus on social responsibility tend to disfavor CSR committees, possibly perceiving them as exacerbating shareholder-stakeholder conflicts. We also observe that firms are more likely to establish CSR committees when they operate in environmentally and socially material industries and in countries with effective mandatory CSR disclosure regulation and better environmental performance. These findings support our prediction that stakeholder demand is positively associated with the introduction of CSR committees. In addition, we find that firms with a higher number of country-industry peers already having adopted CSR committees are more likely to emulate their peers and adopt CSR committees of their own. This evidence supports our prediction that peer pressure plays a positive role in firms' decision to establish CSR committees on their boards.

Turning to board characteristics, we find that larger, more complex, and better-connected boards are more likely to adopt CSR committees. This finding is consistent with the notion that the benefits from knowledge specialization and individual accountability are higher at larger and more complex boards, while search costs are lower for boards well connected to the candidate pool. These findings support our prediction that firms trade off internal needs for monitoring CSR activities and costs associated with having a separate CSR committee.

In terms of control variables, we find that firm size has a positive and significant coefficient in predicting CSR committee adoption across all model specifications, suggesting that larger firms likely expect more net benefits from establishing a separate CSR committee.

Although profitability (*ROA*) is positively associated with CSR committee adoption on average, the association becomes negative once we control for firm fixed effects. The former finding suggests that CSR committees are potentially more affordable among profitable firms, while the latter finding suggests that firms with declining profitability are more willing to adopt CSR committees, potentially as a remedial action or a way to appease investors. We also find a positive and significant association between capital expenditure and CSR committee adoption and the association becomes insignificant once we control for firm fixed effects. This former finding is consistent with our earlier observation that CSR committee is more common among capital-intensive industries (Table 2).

In summary, the results in this section broadly align with our predictions that firms establish CSR committees while considering the tradeoffs between external demands, internal needs, and the costs associated with setting up a separate board committee dedicated to CSR issues.

4.3 CSR Committees and Future CSR Outcomes

In this section, we examine the association between the adoption of CSR committees and firms' future CSR outcomes.

4.3.1 Environmental and Social Outcomes

We first assess whether having a separate CSR committee is associated with future improvement in the firm's environmental and social outcomes, measured by *Carbon emission* and *Injury rate.*

The results are reported in Table 5, Panel A. Focusing on carbon emissions, the coefficient on the CSR committee indicator variable is negative across all columns, but it only becomes statistically significant in Column (3). These results suggest that CSR committee adoption is associated with subsequent reductions in carbon emissions, but the effect takes three years to become substantive. In terms of economic significance, the adoption of a CSR

committee is associated with an 8.8% decrease in carbon emissions in the third year following adoption. Turning to social outcomes, the coefficient on the CSR committee indicator is negative and statistically significant across all columns, suggesting that CSR committee adoption is associated with immediate reductions in employee injuries. In terms of economic significance, the adoption of a CSR committee is associated with a 5%-8% decrease in employee injuries annually during the following three years.

To explore the potential mechanisms through which CSR committees are associated with improvements in subsequent years' CSR outcomes, we further examine changes in internal CSR management practices, including *CSR policies*, *CSR initiatives*, *CSR training*, *CSR contracting*, and *CSR reporting*. Results are presented in Table 6. We observe an immediate improvement in CSR management practices in the first year following the establishment of CSR committees. This suggests that the observed improvement in future environmental and social outcomes is likely realized through the implementation of structured CSR policies, initiatives, training, and the enhancement of individual accountability, such as linking sustainability targets to performance appraisals and compensation. Additionally, after adopting CSR committees, firms are more likely to produce higher quality CSR reports. These findings provide empirical support for the various functionalities of CSR committees observed in the anecdotal evidence (Appendices 4 and 5).

In terms of control variables, we find that CSR disclosure regulation is positively associated with future carbon emissions but negatively associated with future employee injuries (Table 5). This mixed finding 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 ultimate societal impact is thus hard to predict. The results in Table 6 suggest that mandatory CSR disclosure regulation is positively associated with the implementation of CSR management outcomes except for CSR training.

Similar to findings in prior studies examining carbon emissions in the international setting (e.g., Azar et al. 2021; Cohen, Kadach, and Ormazabal 2023), we observe that larger firms with higher profitability tend to emit more greenhouse gas. In addition, firms with heavier capital expenditures experience more employee injuries, and larger firms are more likely to implement CSR management practices.

In summary, our evidence suggests that establishing a CSR committee is not merely window dressing but reflects substantive changes in management practices. These changes are accompanied by improvements in CSR outcomes.

4.3.2 Cross-Sectional Analysis

The improvements in future CSR outcomes after adopting CSR committees may vary across firms facing differential external pressures. We thus conduct cross-sectional analysis based on the sources of external pressures.

We expect the effect of CSR committee adoption on future environmental outcomes to be more pronounced among firms facing higher external pressures to address environmental issues. We identify firms operating in industries with material environmental issues or located in countries with high government and societal support for environmental efforts (higher EPI) as those facing higher external pressures. Consistent with our expectation, the results in Table 7, Panel A suggest that the negative association between the CSR committee indicator variable and future carbon emissions is stronger among firms operating in environmental-material industries as well as those located in countries with above-median EPI. These findings, combined with those reported in Table 4, suggest that the materiality of environmental issues and a country's environmental effort may not only drive a firm's proclivity to adopt CSR committees but also enhance the effectiveness of the adopted CSR committees in improving future environmental outcomes.

Similarly, we conduct cross-sectional analysis on future social outcomes by partitioning firms with CSR committees on the materiality of social issues and the demand from socially conscious institutional investors. The results in Table 7, Panel B suggest that while qualitatively injury rate reductions appear to concentrate in CSR committees of firms operating in social-material industries and in firms with above-median socially conscious institutional ownership, the differences in coefficients are not statistically significant.

4.3 Robustness Analyses

4.3.1 Matched Sample Approach

To further address the concern that unobservable time-variant firm-specific factors may explain the improvements in CSR outcomes following CSR committee adoption, we match firms that adopt CSR committees (treatment) with firms that never adopt a CSR committee within our sample period (control). The match is done within the same industry and country, in the year prior to CSR committee adoption. For each treatment firm, we select the nearest neighbor without replacement among the control firms based on either propensity scores with a caliper of 0.01 or multivariate distances (Mahalanobis matching) using the covariates in Equation (1).[18] A total of 1,376 (1,212) unique treatment firms are successfully matched under the propensity-score (multivariate-distance) matching approach.

Table 8, Panel A reports the differences in means of covariates before and after matching. Variables of the treatment firms are measured in the year prior to CSR committee adoption. As shown, the differences in mean covariates between treatment and control firms are significantly reduced after the matching process, with the covariates being more balanced after matching using the propensity score approach.

Using the matched samples, we repeat the analysis in Table 5 and the results are presented in Table 8, Panel B using propensity-score matched sample and Panel C using

[18] The caliper of 0.01 equals to one quarter of the standard deviation of the propensity scores.

multivariate-distance matched sample. Our results remain robust and even stronger in some specifications.

4.3.2 Alternative CSR Committee Definitions

As discussed earlier in the definition of CSR committees, there is no consensus on the definition of CSR. Therefore, for robustness, we replicate our baseline tests in Tables 4 and 5 by using closely defined CSR committees with a narrower range of CSR topics and excluding those with shared responsibilities in other major committees, such as nomination, audit, and compensation.

Table 9, Panel A reports the results on the determinants of adopting a closely defined CSR committee and Panel B reports the results on future CSR outcomes. The results in both panels are qualitatively similar to those reported in Tables 4 and 5.

During our study period, not all firms consistently maintained their CSR committees. In our sample, approximately 16.7% of CSR committees were dissolved after their formation, with 10.7% of these dissolved CSR committees later being re-established. Analysis of firms' annual reports and proxy statements from the years of the committee dissolution reveals that firms often disband CSR committees once the initial considerations leading to their creation are addressed, with any remaining responsibilities typically reassigned to the overall board or other standing committees. Our current research design does not differentiate between firms dissolving a CSR committee and those that never adopt one, although these two types of firms could face different incentives and thus lead to different outcomes. As a robustness check, we exclude firm-years following the dissolution of CSR committees from our analysis. The untabulated results from this robustness check are consistent with our main results in Tables 4 and 5.

4.3.3 Voluntary versus Mandatory CSR Committees

To focus on firms' voluntary decision to adopt CSR committee, we exclude India and South Africa, the two countries that mandated some form of CSR committee during our sample period, from our main analysis. [19] To compare the effectiveness of voluntarily and mandatorily adopted CSR committees, we add India and South Africa back to our sample to conduct an additional analysis on CSR outcomes. Table 10 reports the results. The *Voluntary CSR Committee* indicator captures firms outside India and South Africa that adopts CSR committee voluntarily, which is equivalent to the *CSR committee* indicator in our previous analyses. It is not surprising that the coefficients on the *Voluntary CSR Committee* indicator are comparable to those reported in Table 5. The *Mandatory CSR Committee* indicator is defined as one if an Indian or South African firm adopts CSR committee after its home country's mandatory adoption date. We delete Indian and South African firms that adopted CSR committees before their respective mandatory adoption dates for a cleaner comparison. The coefficient on mandatory CSR committee indicator is insignificant, suggesting that mandatory CSR committee adopters in India and South Africa do not experience improvements in future environmental and social outcomes. This finding suggests that mandatory CSR committee adoption is on average ineffective. We caveat this interpretation of the finding with the alternative possibility that other unique factors in those two countries not captured in our regression models could also contribute to the insignificant results on CSR committee effectiveness.

[19] The Companies Act 2013 in India requires all firms meeting certain financial criteria to form a "corporate social responsibility committee" on their corporate boards to recommend, review, and monitor CSR policies and spending. For publicly listed companies, the CSR committees should consist of three or more directors, with at least one being an independent director. 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 required to monitor and report to shareholders on companies' CSR matters related to relevant legislations, legal requirements, or prevailing codes of best practices. However, the Act does not specify whether a firm should form a board committee or an operating or advisory committee outside of the board.

5. Conclusions

This study provides, to our knowledge, the first large-sample global evidence on an emerging innovation in the corporate governance system to monitor and oversee CSR activities – the formation of a separate CSR board committee. Our findings reveal that a firm's decision to have a CSR committee is shaped by an interplay of external demands from shareholders and other stakeholders, as well as internal needs and costs for maintaining a dedicated CSR committee. We observe that firms strengthen their CSR management practices following the establishment of a CSR committee and experience a subsequent improvement in environmental and social outcomes. The environmental improvements are more pronounced for CSR committees in environmentally material industries and in countries with better environmental performance. In contrast, social improvements are not enhanced if the CSR committees are established by firms operating in socially material industries or have higher ownership by socially conscious investors. Taken together, our findings suggest that CSR committees are not just window-dressing devices. Instead, they are effective in advancing firms' CSR agendas.

This study extends the discourse on board committees and corporate sustainability by examining CSR committees through the combined lenses of agency, resource dependence, institutional, and legitimacy theories. In doing so, we offer new insights into the strategic benefits of having a separate board CSR committee, not only in terms of monitoring and accountability, but also in connecting firms with essential resources and aligning them with societal expectations and norms.

Our study provides significant implications for academics, practitioners, and regulators. For academics, our analysis provides a foundation for further exploration into innovative corporate governance mechanisms that firms employ to integrate CSR into their operations and strategy. For practitioners, our evidence highlights the importance of CSR committees in improving CSR management practices and outcomes. For regulators, our findings contribute

to ongoing regulatory deliberations on appropriate board practices for incorporating sustainability issues into oversight. Notably, our results suggest that the association between CSR committees and CSR outcomes is insignificant in countries that have mandated CSR committees. This suggests that there is insufficient evidence to support the mandate for corporate boards to adopt CSR committees.

Our analysis and interpretations are subject to some caveats. Similar to most corporate governance studies, the endogenous nature of CSR committee adoption prevents us from drawing causal inferences. Even though we control for firm fixed effects in our regressions, measure all independent variables in the preceding years, and adopt a matched sample approach, we cannot rule out the possibility that the establishment of a CSR committee is a part of a firm's overall strategy to be more sustainable. Therefore, the observed subsequent improvements in CSR activities could be part of a cultural shift. Addressing this limitation presents an avenue for future research. Nevertheless, we argue that given the corporate governance hierarchy, board reforms are likely to be more fundamental than other operational changes, such as reforms in executive compensation. Our results thus could be interpreted as providing descriptive evidence of the drivers behind firms' decisions to adopt a top-down approach to achieve sustainability and social goals.

Appendix 1
Variable Definition

Variable	Data Source	Definition
Board complexity	BoardEx	The number of committees on the board.
Board connectedness	BoardEx	The average number of boards with CSR committees seated by each director on the board.
Board size	BoardEx	The number of directors on the board.
Capital expenditure	Compustat	The capital expenditure over total assets.
Carbon emission	Refinitiv	The natural logarithm of one plus total carbon dioxide (CO2) and CO2 equivalents emission in tonnes.
Close CSR committee	BoardEx	An indicator variable that equals 1 if the company has at least one closely defined CSR committee on its board of directors during the year, 0 otherwise. Please refer to Appendix 3 for the specific identification method.
Committee size	BoardEx	The number of directors on the committee.
CSR committee	BoardEx	An indicator variable that equals 1 if the company has at least one CSR committee on its board of directors during the year, 0 otherwise. Please refer to Appendix 3 for the specific identification method.
CSR contracting	Refinitiv	The sum of two binary indicators for the existence of senior executive compensation linked to sustainability targets, and non-financial performance-oriented compensation policy.
CSR expertise	BoardEx	The percentage of directors with CSR expertise. A director is identified as having CSR expertise if his/her prior educational qualification, prior company names, role names, full description of his/her role, awards, and honors, achievements, or other activities include keywords listed in Appendix 3.
CSR initiatives	Refinitiv	The sum of all binary indicators for the existence of specific environmental and social initiatives. Environmental initiatives include initiatives for waste reduction, environmental investment, E-waste reduction, environmental expenditure, environmental restoration, take-back and recycling, environmental partnership, environment management training, and environment management team. Social initiatives include initiatives on employee health and safety teams, employee health and safety systems, flexible working hours, responsible monitoring of products, supply chain health and safety training, diversity, and equal opportunity targets, monitoring of supply chain health and safety, and supplier health and safety training.
CSR peers	BoardEx, Compustat	The percentage of firms with CSR committees in the same country, industry, and year other than the focal firm.
CSR policies	Refinitiv	The sum of all binary indicators for the existence of specific environmental and social policies. Environmental policies include policies on energy efficiency, emission reduction, environmental impact of supply chain, and water efficiency. Social policies include policies on business ethics, community involvement, data privacy, diversity and equal opportunity, fair competition, employee health and safety, customer health and safety, human rights, child labor, supply chain health and safety, forced labor, responsible marketing, fair trade, and freedom of association.
CSR reporting	Refinitiv	The sum of all binary indicators for the existence of CSR reporting practices, including practices on CSR reporting, inclusion of corporate global activities in its CSR reports, external assurance of CSR reports, and compliance with GRI guidelines.

CSR training	Refinitiv	The sum of all binary indicators for the existence of specific environmental and social training programs, including training on environmental management, workplace health and safety, supply chain health and safety, and supplier ESG.
Director in non-for-profit	BoardEx	The percentage of directors associated with non-for-profit organizations.
Environmental-material industry	KLD, Cho et al. (2006)	An indicator variable that equals 1 if the firm operates in environmental-material industries with one of the following two-digit SIC codes: 01, 10, 12, 13, 20, 22, 24, 25, 26, 28, 29, 33, 37, 40, 49, 99.
EPI	Yale EPI Index	The environmental performance of each firm's headquarter country per year, computed based on time-series raw data from Yale EPI following Yale EPI 2020 scoring methodology.
Female director	BoardEx	The percentage of female directors.
Firm size	Compustat	The natural logarithm of one plus total assets.
High socially conscious IO	FactSet, Dyck et al. (2019)	The percentage of shares held by institutional investors based in countries with high stakeholder protection, measured by above-median sum of employment laws index, collective relations laws index, and social security laws index.
Independent director	BoardEx	The percentage of independent directors.
Injury rate	Refinitiv	The natural logarithm of one plus the total number of injuries and fatalities including no-lost-time injuries relative to one million hours worked.
Insider shareholding	WorldScope	The percentage of insider shareholding.
Leverage	Compustat	The book value of total liability over total assets.
Low socially conscious IO	FactSet, Dyck et al. (2019)	The percentage of shares held by institutional investors based in countries with low stakeholder protection, measured by below-median sum of employment laws index, collective relations laws index, and social security laws index.
Mandatory CSR Committee	BoardEx	An indicator variable that equals 1 for CSR committees adopted in India after 2014 (effective year of the Companies Act 2013) or in South Africa after 2010 (effective year of the South African Companies Act 2008), 0 otherwise.
Post CSR disclosure regulation	Manual Collection	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	Compustat	The research and development expenditure over total assets.
ROA	Compustat	The earnings before interest, tax, depreciation, and amortization (EBITDA) over total assets.
Social-material industry	KLD, Cho et al. (2006)	An indicator variable that equals 1 if the firm operates in social-material industries with one of the following two-digit SIC codes: 01, 10, 12, 16, 20, 21, 29, 31, 39, 40, 45, 48, 52, 53, 54, 61, 65, 70, 75, 99.
Tobin's q	Compustat	The sum of total equity market value and total liability book value over total assets.
Voluntary CSR Committee	BoardEx	An indicator variable that equals 1 for CSR committees adopted in countries other than India and South Africa, 0 otherwise.

Appendix 2
First National Mandatory CSR Disclosure Regulation around the World

Economy	First National Mandatory CSR Disclosure Regulation	Effective 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

Panel A: Close CSR keywords						
accountability	eh&s	environmental	human rights	responsibility	social	sustainability
citizenship	employee	esg	inclusion	responsible	societal	sustainable
community	employment	good4business	inclusive	safe	societary	wellbeing
csr	empowerment	harassment	integrity	safeguarding	society	workplace
diversity	environment	health	reliability	safety	socio	zero harm
Panel B: Loose CSR keywords						
bribery	consumer interests	cybersecurity	ethics	philanthropy	public issues	stakeholder
charitable	consumer rights	donation	fraud	protection	public policy	terrorism
charities	corruption	donations	laundering	public affairs	reputation	terrorist
charity	crime	ethical	philanthropic	public interest	security	
Panel C: Safety-related keywords						
safe	safety	safeguard				
Panel D: Keywords referring to basic safety issues related to profit or regulation						
consumer	customer	patient	product	clinical	airline	nuclear
consumers	customers	patients	products	aviation	food	quality
Panel E: Major committee keywords						
nominating	nomination	nominations	appointment	appointments	audit	compensation
remuneration						
Panel F: Excluded unintended keywords						
health care	health IT					

Identification logic:

A board committee is identified as a **close CSR committee** if its committee name (1) includes one of close CSR keywords in Panel A, and (2) excludes unintended keywords in Panel F, and (3) with the presence of safety-related keywords in Panel C, excludes keywords referring to basic safety issues related to profit or regulation in Panel D, and (4) excludes keywords of major committees in Panel E.

A board committee is identified as a **loose CSR committee** if its committee name (1) includes one of loose CSR keywords in Panel B, but none of close CSR keywords in Panel A, or (2) includes safety-related keywords in Panel C in conjunction with keywords referring to basic safety issues in Panel D, or (3) includes one of close CSR keywords in Panel A in conjunction with one of major committee keywords in Panel E.

A board committee is identified as a **CSR committee** if the committee is either a close or loose CSR committee.

Appendix 4
Examples of CSR Committees

Company Name	**Headquarter Country**	**Responsibilities**
PepsiCo Inc.	United States	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.
Committee Name	**Stock Exchange**	
Public Policy and Sustainability	NASDAQ	
Establish Year	**Industry**	
2017	Beverages Food Processing	
Meeting Frequency	**Information Source**	
Three times per year	2017 DEF 14A Proxy Statement	
Company Name	**Headquarter Country**	**Responsibilities**
Lloyds Banking Group Plc	United Kingdom	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.
Committee Name	**Stock Exchange**	
Responsible Business	London Stock Exchange (LSE)	
Establish Year	**Industry**	
2015	Banking Financial Services	
Meeting Frequency	**Information Source**	
Three times per year	2015 Annual Report and Accounts	

Appendix 5
CSR Committee Creation Case Study: SCOR SE

Country: France
ISIN: FR0010411983
Industry: Reinsurance (Financial services)
Information Source: 2017 and 2018 Solvency and Financial Condition Reports

In October 2017, SCOR's board approved the creation of a new board committee specially dedicated to Corporate Social Responsibility (CSR) matters. It was named as "Corporate Social Responsibility Committee". The committee's mission was to *"examine the corporate and social responsibility (CSR) strategy and actions plans of the Group, to follow up their implementation and to propose any actions in this respect. It also examines the reports related to the CSR submitted to the Board of Directors in accordance with applicable laws and regulations."*

At that time, the board had five additional advisory committees, including the strategic committee, the audit committee, the risk committee, the compensation and nomination committee, and the crisis management committee.

In October 2018, the CSR committee was renamed as "Corporate Social and Societal Responsibility and Environmental Sustainability Committee". Its responsibilities were expanded to:

"- examine the main social, societal, and environmental issues faced by the Company;
- examine the corporate and social responsibility strategy and action plans, including commitments made by the Company in this regard, to monitor their implementation and to propose any actions in this respect;
- submit to the Board of Directors any proposals designed to take the social, societal and environmental issues faced by the Company into consideration when determining its business orientations;
- examine the CSR-related reports submitted to the Board of Directors in accordance with applicable laws and regulations, particularly the extra-financial performance declaration referred to in Article L. 255-102-1 of the French Commercial Code;
- study the extra-financial ratings obtained by the Company and to define, if necessary, objectives in this area;
- ensure that the executive officers implement a policy of non-discrimination and diversity, notably with regard to the balanced representation of men and women on the governing bodies and reports to the Board of Directors."

Figure 1
CSR Committees around the World

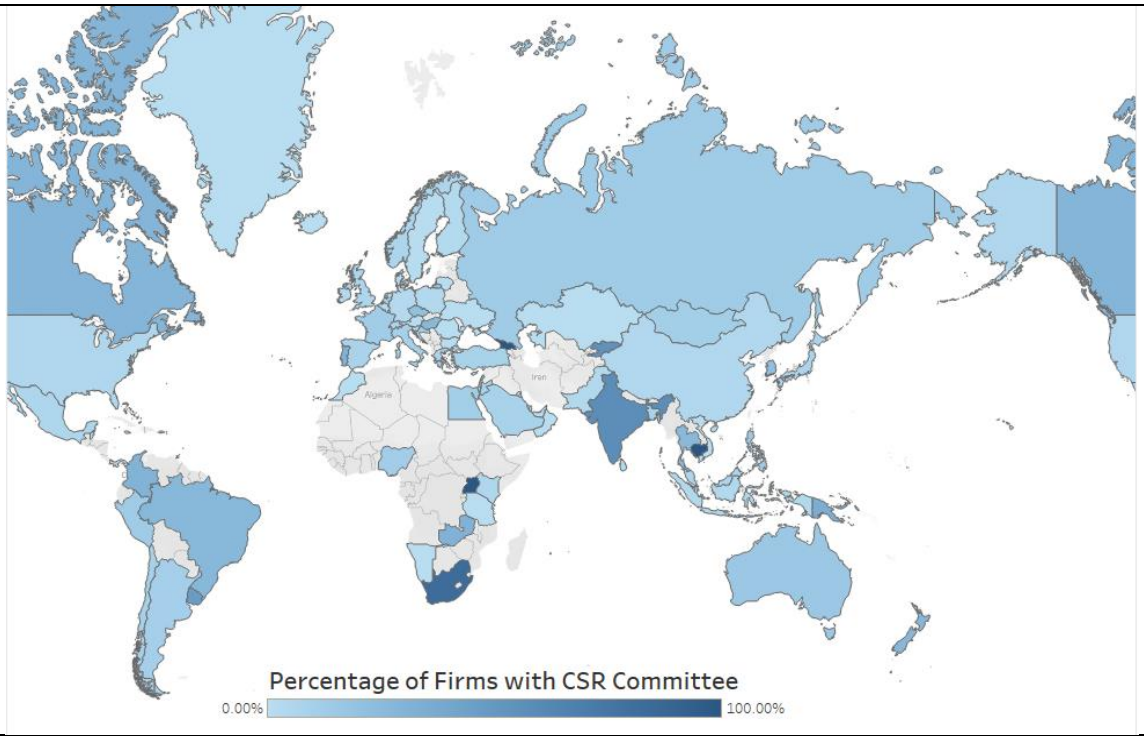

Figure 1 presents the prevalence of firms with CSR committees around the world over 2002-2018. The color shade increases with the percentage of firms with CSR committees in each country. India and South Africa are included in this figure for reference.

Figure 2
National Mandatory CSR Disclosure Regulation around the World

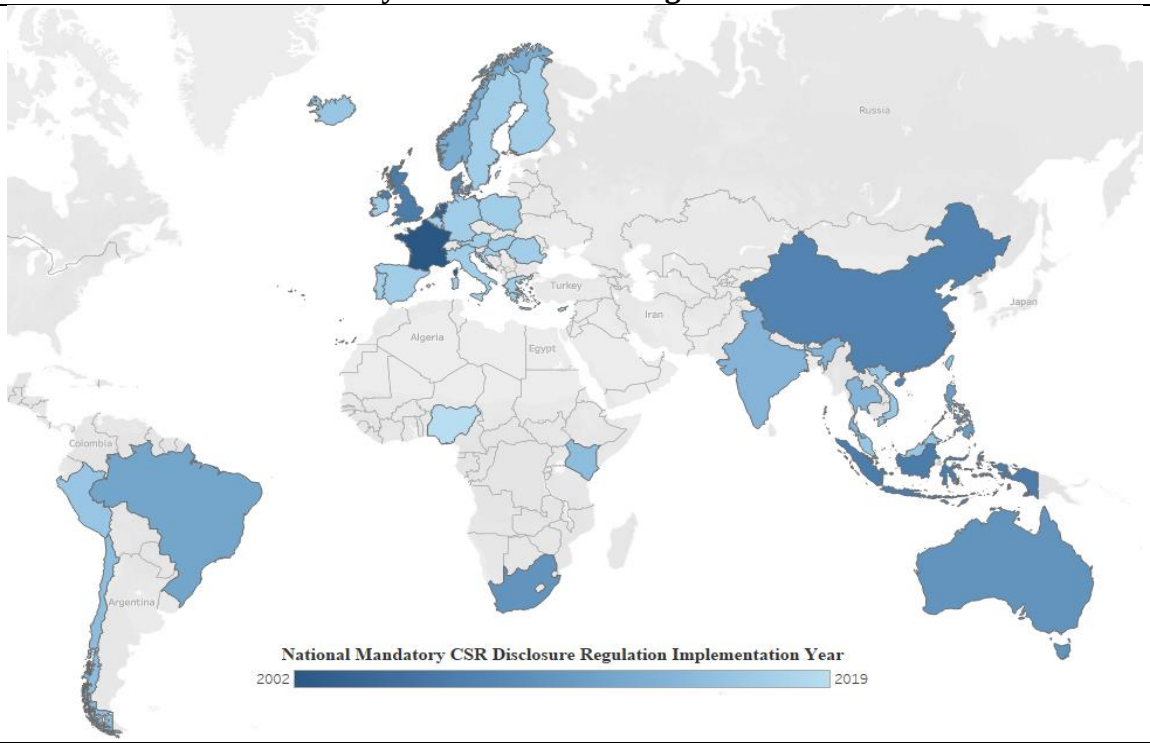

Figure 2 presents the trend of country-level mandatory CSR disclosure regulation around the world. The color shade decreases with the first implementation year of the regulation. A full list of national mandatory CSR disclosure regulations with first implementation years is available in Appendix 2.

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Table 1
Sample Formation

	Firm-Year Observations
All firms covered by BoardEx, Compustat, WorldScope, and FactSet 2001-2018	179,893
Less: non-primary stock listings	(8,677)
Less: firms based in India and South Africa	(6,124)
Less: observations with missing regression variables	(27,865)
Study sample from 2002 to 2018 from 18,643 unique firms	**137,227**

Table 2
Sample Distribution

Panel A: CSR committees over time

Year	Firm with CSR committees		Firms with audit committees		All firms
2002	264	8.54%	2,993	96.83%	3,091
2003	277	8.29%	3,243	97.07%	3,341
2004	369	6.88%	5,248	97.91%	5,360
2005	420	6.42%	6,425	98.24%	6,540
2006	479	6.60%	7,122	98.11%	7,259
2007	497	6.53%	7,461	98.08%	7,607
2008	566	7.07%	7,844	97.96%	8,007
2009	634	7.85%	7,925	98.12%	8,077
2010	680	8.58%	7,791	98.33%	7,923
2011	757	8.80%	8,445	98.16%	8,603
2012	850	9.44%	8,815	97.86%	9,008
2013	912	9.81%	9,084	97.69%	9,299
2014	976	9.95%	9,592	97.75%	9,813
2015	1,009	9.82%	10,028	97.56%	10,279
2016	1,065	9.77%	10,603	97.29%	10,898
2017	1,096	10.06%	10,583	97.12%	10,897
2018	1,188	10.58%	10,904	97.14%	11,225
Total	**12,039**	8.77%	**134,106**	97.73%	**137,227**
Unique Firms	**1,933**	10.37%	**18,274**	98.02%	**18,643**

Panel B: CSR committees across industries

FF12 Industry	Firms with CSR committees		Firms with audit committees		All firms
1) Consumer Non-durables	623	8.81%	6,814	96.34%	7,073
2) Consumer Durables	177	6.32%	2,689	96.07%	2,799
3) Manufacturing	1,064	8.49%	12,107	96.65%	12,526
4) Oil, Gas, Coal Extraction and Products	1,544	21.27%	7,156	98.58%	7,259
5) Chemical and Allied Products	534	18.31%	2,838	97.33%	2,916
6) Business Equipment	477	2.50%	18,767	98.50%	19,052
7) Telephone and Television Transmission	204	5.54%	3,589	97.53%	3,680
8) Utilities	856	24.78%	3,261	94.41%	3,454
9) Wholesale, Retail, and Some Services	690	6.48%	10,404	97.68%	10,651
10) Healthcare, Medical Equipment and Drugs	430	3.45%	12,266	98.51%	12,452
11) Finance	1,591	5.17%	30,089	97.69%	30,799
12) Other	3,849	15.67%	24,126	98.21%	24,566
Total	**12,039**	8.77%	**134,106**	97.73%	**137,227**

Panel C: CSR committees for top 30 countries by sample size						
Rank	Country	Firms with CSR committees		Firms with audit committees		All firms
1	United States	4,403	7.03%	62,613	99.91%	62,670
2	United Kingdom	1,546	6.43%	23,878	99.33%	24,039
3	Canada	2,308	29.57%	7,789	99.80%	7,805
4	Australia	1,037	16.15%	6,391	99.52%	6,422
5	France	497	12.40%	3,689	92.04%	4,008
6	China	159	4.24%	3,745	99.92%	3,748
7	India	2,347	67.73%	3,465	100.00%	3,465
8	Hong Kong SAR	130	4.26%	3,054	100.00%	3,054
9	Germany	81	3.28%	2,359	95.43%	2,472
10	Singapore	72	3.80%	1,894	100.00%	1,894
11	Switzerland	134	7.24%	1,732	93.57%	1,851
12	Sweden	12	0.65%	1,535	83.47%	1,839
13	South Africa	1,422	83.30%	1,707	100.00%	1,707
14	Italy	153	9.76%	508	32.40%	1,568
15	Spain	118	8.91%	1,323	99.92%	1,324
16	Netherlands	93	7.35%	1,243	98.18%	1,266
17	Ireland	57	4.55%	1,246	99.52%	1,252
18	Belgium	18	1.51%	1,144	96.22%	1,189
19	Israel	70	6.16%	1,128	99.30%	1,136
20	Malaysia	114	11.08%	1,029	100.00%	1,029
21	Norway	46	6.34%	664	91.59%	725
22	Brazil	184	28.13%	466	71.25%	654
23	Finland	17	2.84%	571	95.33%	599
24	Greece	42	8.11%	518	100.00%	518
25	Austria	3	0.65%	454	98.06%	463
26	Russia	88	19.13%	460	100.00%	460
27	Japan	34	7.41%	190	41.39%	459
28	Mexico	29	6.64%	434	99.31%	437
29	Taiwan	17	3.98%	372	87.12%	427
30	Denmark	4	0.94%	413	96.72%	427

Table 3
Descriptive Statistics

Panel A: Characteristics of observations with and without CSR committees

	All observations N = 137227					Without CSR committee N=125188		With CSR committee N=12039		
Variables	**Mean**	**SD**	**P25**	**Median**	**P75**	**Mean**	**Median**	**Mean**	**Median**	**MeanDiff**
High socially conscious IO	0.026	0.048	0.000	0.006	0.029	0.025	0.005	0.033	0.021	-0.008***
Low socially conscious IO	0.326	0.344	0.028	0.177	0.597	0.320	0.169	0.389	0.262	-0.070***
CSR peers	0.068	0.103	0.000	0.032	0.079	0.059	0.027	0.164	0.107	-0.105***
Environmental-material industry	0.290	0.454	0.000	0.000	1.000	0.264	0.000	0.553	1.000	-0.289***
Social-material industry	0.189	0.392	0.000	0.000	0.000	0.174	0.000	0.348	0.000	-0.174***
Post CSR disclosure regulation	0.267	0.442	0.000	0.000	1.000	0.266	0.000	0.269	0.000	-0.002
EPI	66.303	10.323	64.565	68.558	71.496	66.25	68.520	66.83	68.560	-0.576***
Board size	6.597	3.053	4.000	6.000	8.000	6.343	6.000	9.229	9.000	-2.885***
Board connectedness	0.086	0.173	0.000	0.000	0.125	0.068	0.000	0.277	0.200	-0.209***
Board complexity	3.294	1.222	3.000	3.000	4.000	3.167	3.000	4.616	4.000	-1.449***
Firm size	6.505	2.412	4.861	6.519	8.080	6.340	6.361	8.221	8.304	-1.882***
ROA	0.028	0.255	0.012	0.077	0.140	0.024	0.075	0.071	0.092	-0.047***
Leverage	0.215	0.211	0.024	0.170	0.336	0.211	0.161	0.253	0.237	-0.042***
Tobin's q	1.865	1.642	1.014	1.303	2.012	1.895	1.308	1.553	1.261	0.343***
Capital expenditure	0.044	0.060	0.006	0.024	0.056	0.042	0.022	0.063	0.044	-0.021***
R&D expenditure	0.035	0.093	0.000	0.000	0.017	0.037	0.000	0.009	0.000	0.029***
Insider shareholding	0.275	0.258	0.034	0.203	0.470	0.282	0.214	0.206	0.095	0.076***

Table 3 Panel A provides descriptive statistics of covariates in equation (1) for firm-year observations with and without CSR committees and compares means between them. 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 the difference in means between two samples with unequal variances and Welch's approximation. All variables are defined in Appendix 1.

Panel B: Characteristics of board versus CSR committees

	Board of directors N=12039				CSR committees N=12039			
Variables	**Mean**	**Median**	**SD**	**Variables**	**Mean**	**Median**	**SD**	**MeanDiff**
Board size	9.356	9.000	3.154	Committee size	4.425	4.000	1.900	4.931***
Independent director	0.758	0.818	0.233	Independent director	0.735	0.800	0.299	0.023***
Female director	0.146	0.143	0.125	Female director	0.171	0.143	0.201	-0.026***
Director in non-for-profit	0.172	0.143	0.165	Director in non-for-profit	0.179	0.000	0.225	-0.007***
CSR expertise	0.183	0.154	0.178	CSR expertise	0.187	0.143	0.229	-0.005*

Table 3 Panel B provides descriptive statistics on concurrent characteristics of board of directors and CSR committees for observations with CSR committees and compares means between them. 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 differences in means between two samples with unequal variances and Welch's approximation. All variables are defined in Appendix 1.

Table 4
CSR Committee Adoption

		Dependent Variable: CSR committee			
	Predicted Sign	**(1)**	**(2)**	**(3)**	**(4)**
High socially conscious IO	+	0.122***	0.180***	0.153***	0.095**
		(0.034)	(0.045)	(0.045)	(0.043)
Low socially conscious IO	-	-0.048***	-0.014*	-0.034***	-0.002
		(0.006)	(0.007)	(0.008)	(0.008)
CSR peers	+	0.450***	0.367***	0.387***	0.166***
		(0.029)	(0.030)	(0.028)	(0.029)
Environmental-material industry	+	0.041***	0.043***		
		(0.006)	(0.005)		
Social-material industry	+	0.031***	0.026***		
		(0.006)	(0.006)		
Post CSR disclosure regulation	+	0.022***	0.002	0.004	0.015***
		(0.004)	(0.004)	(0.004)	(0.004)
EPI	+	0.001***	0.000	0.001	0.002***
		(0.000)	(0.001)	(0.001)	(0.001)
Board size	+	0.002*	0.003***	0.003***	0.003***
		(0.001)	(0.001)	(0.001)	(0.001)
Board connectedness	+	0.340***	0.319***	0.306***	0.116***
		(0.016)	(0.016)	(0.016)	(0.012)
Board complexity	+	0.062***	0.066***	0.066***	0.037***
		(0.002)	(0.002)	(0.002)	(0.002)
Firm size		0.008***	0.006***	0.009***	0.008***
		(0.001)	(0.001)	(0.001)	(0.002)
ROA		0.013**	0.012**	0.000	-0.006*
		(0.006)	(0.006)	(0.006)	(0.003)
Leverage		-0.011	-0.006	-0.005	0.002
		(0.008)	(0.008)	(0.008)	(0.006)
Tobin's q		0.000	-0.001	-0.001	0.000
		(0.001)	(0.001)	(0.001)	(0.001)
Capital expenditure		0.168***	0.147***	0.096***	-0.009
		(0.026)	(0.026)	(0.026)	(0.016)
R&D expenditure		-0.034**	-0.025*	-0.012	0.005
		(0.014)	(0.015)	(0.015)	(0.010)
Insider shareholding		0.001	0.007	0.006	-0.000
		(0.007)	(0.006)	(0.006)	(0.004)
Year Fixed Effects		X	X	X	X
Country Fixed Effects			X	X	
Industry Fixed Effects				X	
Firm Fixed Effects					X
N		137227	137225	137225	135367
Adjusted R2		0.247	0.262	0.265	0.784

Table 4 reports linear probability regression results on the determinants of voluntary CSR committee adoption. The dependent variable is *CSR committee*, defined as 1 for companies with at least one CSR committee on its board during the year, and 0 otherwise. All variables are defined in Appendix 1. All independent variables are lagged by one year. Robust standard errors are clustered by firm and are reported in 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
CSR Committees and Future CSR Outcomes

Dependent Variable:	**Carbon emission**			**Injury rate**		
	Year+1	**Year+2**	**Year+3**	**Year+1**	**Year+2**	**Year+3**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
CSR committee	-0.010	-0.058	-0.088**	-0.056*	-0.059*	-0.081**
	(0.036)	(0.036)	(0.038)	(0.030)	(0.032)	(0.033)
High socially conscious IO	0.359	0.496	0.626**	-0.217	-0.162	-0.306
	(0.315)	(0.313)	(0.315)	(0.276)	(0.264)	(0.260)
Low socially conscious IO	-0.175*	-0.215*	-0.105	-0.064	0.009	0.046
	(0.106)	(0.112)	(0.101)	(0.113)	(0.113)	(0.112)
CSR peers	0.371***	0.367**	0.211	-0.196*	-0.127	-0.122
	(0.140)	(0.160)	(0.162)	(0.116)	(0.111)	(0.117)
Post CSR disclosure regulation	0.052*	0.060*	0.020	-0.005	-0.061*	-0.110***
	(0.029)	(0.034)	(0.033)	(0.029)	(0.033)	(0.033)
EPI	-0.003	-0.003	-0.008	-0.014**	-0.016**	-0.017**
	(0.006)	(0.006)	(0.006)	(0.007)	(0.007)	(0.007)
Board size	0.008*	0.003	0.003	0.006*	0.004	0.000
	(0.005)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Board connectedness	0.048	-0.008	-0.017	-0.069	-0.030	-0.038
	(0.043)	(0.048)	(0.048)	(0.047)	(0.047)	(0.047)
Board complexity	0.020**	0.018*	0.018*	0.017*	0.016*	0.016*
	(0.010)	(0.010)	(0.010)	(0.009)	(0.009)	(0.009)
Firm size	0.405***	0.327***	0.243***	-0.011	-0.033	-0.044*
	(0.033)	(0.030)	(0.030)	(0.031)	(0.027)	(0.023)
ROA	0.336***	0.194**	0.100	0.065	0.159**	0.140**
	(0.083)	(0.089)	(0.086)	(0.068)	(0.069)	(0.069)
Leverage	0.115	0.070	0.102	-0.101	-0.007	0.040
	(0.103)	(0.097)	(0.101)	(0.105)	(0.105)	(0.089)
Tobin's q	-0.009	0.003	0.010	0.002	-0.003	0.011
	(0.013)	(0.012)	(0.012)	(0.015)	(0.013)	(0.012)
Capital expenditure	-0.002	-0.128	-0.305	0.469**	0.414**	0.425**
	(0.288)	(0.249)	(0.251)	(0.202)	(0.191)	(0.205)
R&D expenditure	0.333	0.095	-0.197	-0.594	-1.109	-0.409
	(0.737)	(0.783)	(0.930)	(0.654)	(0.719)	(0.584)
Insider shareholding	0.069	-0.011	-0.012	0.030	0.088*	0.037
	(0.055)	(0.053)	(0.050)	(0.052)	(0.051)	(0.047)
Independent director	0.138**	0.140**	0.112	0.053	0.056	-0.004
	(0.069)	(0.070)	(0.070)	(0.064)	(0.063)	(0.068)
Female director	-0.134	-0.124	-0.172*	-0.215**	-0.205**	-0.100
	(0.095)	(0.101)	(0.103)	(0.094)	(0.096)	(0.098)
Director in non-for-profit	0.004	-0.065	-0.126*	-0.087	-0.127*	-0.079
	(0.067)	(0.067)	(0.070)	(0.071)	(0.067)	(0.068)
Year Fixed Effects	X	X	X	X	X	X
Firm Fixed Effects	X	X	X	X	X	X
N	17630	16770	15856	10248	9769	9258
Adjusted R2	0.966	0.967	0.967	0.859	0.864	0.867

Table 5 reports regressions results on future CSR outcomes following voluntary CSR committee adoption. The dependent variable for Columns (1)-(3) is *Carbon emissions*, which is the natural logarithm of one plus total carbon dioxide (CO2) and CO2 equivalents emissions in tonnes. The dependent variable for Columns (4)-(6) is *Injury rate*, which is the natural logarithm of one plus the total number of injuries and fatalities including no-lost-time injuries relative to one million hours worked. The interested independent variable is *CSR committee*, defined as 1 for companies with at least one CSR committee on its board during the year, and 0 otherwise. All variables are defined in Appendix 1. Robust standard errors are clustered by firm and are reported in 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
CSR Committees and Future CSR Management Practices

Dependent Variable:	**CSR policies Year+1**	**CSR initiatives Year+1**	**CSR training Year+1**	**CSR contracting Year+1**	**CSR reporting Year+1**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**
CSR committee	0.188*	0.263**	0.087**	0.116***	0.170***
	(0.109)	(0.123)	(0.037)	(0.029)	(0.049)
High socially conscious IO	0.490	3.283***	0.356	-0.001	1.093***
	(0.836)	(0.898)	(0.266)	(0.185)	(0.363)
Low socially conscious IO	-0.750***	-1.199***	-0.201**	-0.019	-0.263**
	(0.237)	(0.277)	(0.080)	(0.064)	(0.108)
CSR peers	1.316***	0.722*	0.248**	0.319***	0.394**
	(0.353)	(0.382)	(0.115)	(0.091)	(0.166)
Post CSR disclosure regulation	0.432***	0.361***	0.019	0.104***	0.204***
	(0.079)	(0.089)	(0.028)	(0.020)	(0.036)
EPI	0.003	-0.020	-0.011**	0.001	0.001
	(0.017)	(0.018)	(0.005)	(0.003)	(0.007)
Board size	0.037***	0.032***	0.006	-0.001	0.012**
	(0.012)	(0.012)	(0.004)	(0.003)	(0.005)
Board connectedness	0.045	0.079	-0.043	0.038	-0.035
	(0.140)	(0.151)	(0.048)	(0.037)	(0.066)
Board complexity	0.004	0.068**	0.018**	0.005	0.040***
	(0.025)	(0.028)	(0.009)	(0.007)	(0.012)
Firm size	0.337***	0.503***	0.061***	0.021*	0.152***
	(0.052)	(0.063)	(0.017)	(0.011)	(0.022)
ROA	0.252*	0.001	0.051	0.014	0.085
	(0.135)	(0.159)	(0.046)	(0.037)	(0.060)
Leverage	0.071	-0.204	0.072	-0.050	-0.231**
	(0.193)	(0.231)	(0.064)	(0.049)	(0.090)
Tobin's q	0.048**	0.043	0.010	0.010**	0.036***
	(0.022)	(0.027)	(0.008)	(0.005)	(0.010)
Capital expenditure	0.656*	0.068	0.142	0.240**	-0.078
	(0.373)	(0.430)	(0.137)	(0.122)	(0.208)
R&D expenditure	-0.602	-0.110	-0.158	-0.159	-0.237
	(0.842)	(1.186)	(0.270)	(0.178)	(0.350)

Insider shareholding	-0.170	-0.173	-0.013	0.005	-0.062
	(0.135)	(0.144)	(0.040)	(0.032)	(0.059)
Independent director	0.579***	0.154	0.091	-0.020	0.288***
	(0.165)	(0.191)	(0.056)	(0.037)	(0.073)
Female director	0.038	-0.251	-0.039	0.201***	0.146
	(0.254)	(0.269)	(0.083)	(0.061)	(0.109)
Director in non-for-profit	0.004	0.066	0.065	0.092*	0.028
	(0.183)	(0.202)	(0.065)	(0.047)	(0.080)
Year Fixed Effects	X	X	X	X	X
Firm Fixed Effects	X	X	X	X	X
N	38153	26300	38067	39120	38812
Adjusted R2	0.833	0.884	0.751	0.608	0.750

Table 6 reports regressions results on future CSR management practices following voluntary CSR committee adoption. The dependent variables, *CSR policies*, *CSR initiatives*, and *CSR training*, respectively measure the comprehensiveness of firms' specific environmental and social policies, initiatives, and training programs. *CSR contracting* measures the extent to which senior executive compensation is linked to sustainability targets and/or non-financial performance. *CSR reporting* measures the quality of corporate reporting practices. The interested independent variable is *CSR committee*, defined as 1 for companies with at least one CSR committee on its board during the year, and 0 otherwise. All variables are defined in Appendix 1. Intercepts are untabulated. Robust standard errors are clustered by firm and are reported in 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
Cross-sectional Analyses of CSR Outcomes

Panel A: Cross-sectional variations in environmental outcomes							
Dependent Variable:	**Carbon emission**				**Carbon emission**		
	Year+1	**Year+2**	**Year+3**		**Year+1**	**Year+2**	**Year+3**
	(1)	**(2)**	**(3)**		**(4)**	**(5)**	**(6)**
CSR committee in environmental-material industries	-0.093* (0.054)	-0.136** (0.053)	-0.149*** (0.055)	CSR Committee in high EPI countries	-0.025 (0.037)	-0.079** (0.037)	-0.103*** (0.039)
CSR committee in other industries	0.049 (0.045)	-0.002 (0.045)	-0.040 (0.050)	CSR Committee in low EPI countries	0.043 (0.043)	0.003 (0.043)	-0.044 (0.045)
Difference	-0.142	-0.134	-0.110	Difference	-0.069	-0.082	-0.060
P-Value	0.037	0.043	0.130	P-Value	0.041	0.014	0.069
Control Variables	X	X	X	Control Variables	X	X	X
Year Fixed Effects	X	X	X	Year Fixed Effects	X	X	X
Firm Fixed Effects	X	X	X	Firm Fixed Effects	X	X	X
N	17630	16770	15856	N	17630	16770	15856
Adjusted R2	0.966	0.967	0.967	Adjusted R2	0.966	0.967	0.967
Panel B: Cross-sectional variations in social outcomes							
Dependent Variable:	**Injury rate**				**Injury rate**		
	Year+1	**Year+2**	**Year+3**		**Year+1**	**Year+2**	**Year+3**
	(1)	**(2)**	**(3)**		**(4)**	**(5)**	**(6)**
CSR committee in social-material industries	-0.097** (0.041)	-0.087** (0.040)	-0.091** (0.041)	CSR Committee with higher socially conscious IO	-0.057* (0.031)	-0.058* (0.033)	-0.068** (0.034)
CSR committee in other industries	-0.042 (0.038)	-0.047 (0.041)	-0.076* (0.043)	CSR Committee with lower socially conscious IO	-0.050 (0.045)	-0.063 (0.044)	-0.127*** (0.046)
Difference	-0.055	-0.040	-0.014	Difference	-0.007	0.005	0.060
P-Value	0.314	0.479	0.801	P-Value	0.861	0.891	0.105
Control Variables	X	X	X	Control Variables	X	X	X
Year Fixed Effects	X	X	X	Year Fixed Effects	X	X	X
Firm Fixed Effects	X	X	X	Firm Fixed Effects	X	X	X
N	10248	9769	9258	N	10248	9769	9258
Adjusted R2	0.859	0.864	0.867	Adjusted R2	0.859	0.864	0.868

Table 7 reports results of cross-sectional analysis of CSR outcomes. Panel A reports regression results on CSR committees in environmental-material industries versus other industries, as well as CSR committees in countries with high versus low Environmental Performance Index (*EPI*), partitioned based on the median *EPI* of the sample with CSR

committees. The dependent variable is *Carbon emissions*, which is the natural logarithm of one plus total carbon dioxide (CO2) and CO2 equivalents emission in tonnes. Panel B reports regression results on CSR committees in social-material industries versus other industries, as well as CSR committees with higher socially conscious institutional ownership, partitioned based on the median *High socially conscious IO* of the sample with CSR committees. The dependent variable is *Injury rate*, which is the natural logarithm of one plus the total number of injuries and fatalities including no-lost-time injuries relative to one million hours worked. The same control variables are included as in Table 5. All variables are defined in Appendix 1. Robust standard errors are clustered by firm and are reported in parentheses. All continuous variables are winsorized at the 1st and 99th percentiles. *, **, *** represent statistical significance at the 10%, 5% and 1% level, respectively.

Table 8
CSR Committees and CSR Outcomes - Matched Sample

Panel A: Descriptive statistics of treated and control firms before and after matching

	Before Matching			After Propensity Score Matching			After Multivariate Distance Matching		
Variable	**Treated Mean**	**Control Mean**	**MeanDiff**	**Treated Mean**	**Control Mean**	**MeanDiff**	**Treated Mean**	**Control Mean**	**MeanDiff**
High socially conscious IO	0.028	0.024	-0.004***	0.031	0.031	0.000	0.034	0.029	-0.005***
Low socially conscious IO	0.276	0.311	0.035***	0.300	0.303	0.003	0.326	0.320	-0.006
CSR peers	0.195	0.058	-0.137***	0.163	0.171	0.009	0.154	0.147	-0.007
Board size	7.792	6.21	-1.582***	7.692	7.698	0.007	7.807	6.979	-0.828***
Board connectedness	0.218	0.064	-0.154***	0.195	0.202	0.007	0.197	0.157	-0.040***
Board complexity	3.658	3.133	-0.525***	3.544	3.529	-0.015	3.554	3.286	-0.268***
Firm size	7.594	6.227	-1.367***	7.594	7.625	0.031	7.710	7.209	-0.501***
ROA	0.075	0.014	-0.061***	0.067	0.063	-0.005	0.063	0.054	-0.008
Leverage	0.252	0.213	-0.040***	0.247	0.245	-0.002	0.244	0.231	-0.012
Tobin's q	1.731	1.894	0.162***	1.699	1.715	0.016	1.686	1.582	-0.104**
Capital expenditure	0.06	0.041	-0.019***	0.060	0.059	0.000	0.060	0.053	-0.007**
R&D expenditure	0.009	0.039	0.030***	0.010	0.009	-0.001	0.011	0.011	0.000
Insider shareholding	0.306	0.285	-0.021***	0.271	0.266	-0.005	0.244	0.258	0.014

Table 8 Panel A provides descriptive statistics of matching variables comparing treated firms (firms adopted CSR committees) and control firms (firms never adopted CSR committees during the sample period) before and after matching. Variables of the treated firms are measured in the year preceding the CSR committee adoption. Each treated firm is matched to one nearest neighbor without replacement among the control firm in the same year, industry, and country, based on the matching variables using either propensity scores with a caliper of 0.01 or multivariate distances. The caliper 0.01 is equal to one-quarter of the standard deviation of the propensity score. 1376 unique treated firms are matched to 1065 control firms using propensity scores, and 1212 treated firms are matched to 1036 control firms using multivariate distances. 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 differences in means between two samples with unequal variances and Welch's approximation. All variables are defined in Appendix 1

Panel B: Propensity score matched sample results

Dependent Variable:	**Carbon emission**			**Injury rate**		
	Year+1	**Year+2**	**Year+3**	**Year+1**	**Year+2**	**Year+3**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
CSR committee	-0.038	-0.083**	-0.101***	-0.053*	-0.047	-0.069*
	(0.037)	(0.038)	(0.039)	(0.031)	(0.033)	(0.037)
Year Fixed Effects	X	X	X	X	X	X
Firm Fixed Effects	X	X	X	X	X	X
N	7167	6916	6656	4215	4082	3928
Adjusted R2	0.960	0.960	0.961	0.845	0.853	0.862

Panel C: Multivariate distance matched sample results

Dependent Variable:	**Carbon emission**			**Injury rate**		
	Year+1	**Year+2**	**Year+3**	**Year+1**	**Year+2**	**Year+3**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
CSR committee	-0.022	-0.061	-0.077*	-0.088***	-0.065*	-0.082**
	(0.039)	(0.040)	(0.041)	(0.034)	(0.034)	(0.036)
Year Fixed Effects	X	X	X	X	X	X
Firm Fixed Effects	X	X	X	X	X	X
N	6311	6105	5909	3753	3630	3507
Adjusted R2	0.957	0.957	0.958	0.839	0.848	0.852

Table 8 reports regressions results on the future CSR outcomes following voluntary CSR committee adoption using the propensity score matched sample in Panel B, as well as using the multivariate distance matched sample in Panel C. For both panels, the dependent variable for columns (1)-(3) is *Carbon emissions*, which is the natural logarithm of one plus total carbon dioxide (CO2) and CO2 equivalents emission in tonnes. The dependent variable for columns (4)-(6) is *Injury rate*, which is the natural logarithm of one plus the total number of injuries and fatalities including no-lost-time injuries relative to one million hours worked. The interested independent variable is *CSR committee*, defined as 1 for companies with at least one CSR committee on its board during the year, and 0 otherwise. The same control variables are included as in Table 5. All variables are defined in Appendix 1. Robust standard errors are clustered by firm and are reported in parentheses. All continuous variables are winsorized at the 1st and 99th percentiles. *, **, *** represent statistical significance at the 10%, 5% and 1% level, respectively.

Table 9
Robustness Tests of Closely Defined CSR Committees

Panel A: Close CSR committee adoption

	Predicted Sign	Dependent Variable: Close CSR committee			
		(1)	(2)	(3)	(4)
High socially conscious IO	+	0.105***	0.125***	0.105***	0.087**
		(0.029)	(0.039)	(0.040)	(0.037)
Low socially conscious IO	-	-0.052***	-0.012**	-0.031***	-0.005
		(0.006)	(0.006)	(0.007)	(0.007)
CSR peers	+	0.431***	0.347***	0.368***	0.126***
		(0.028)	(0.029)	(0.027)	(0.028)
Environmental-material industry	+	0.041***	0.042***		
		(0.005)	(0.005)		
Social-material industry	+	0.033***	0.027***		
		(0.006)	(0.006)		
Post CSR disclosure regulation	+	0.018***	-0.002	-0.000	0.013***
		(0.004)	(0.004)	(0.004)	(0.004)
EPI	+	0.001***	0.000	0.000	0.003***
		(0.000)	(0.001)	(0.001)	(0.001)
Board size	+	-0.001	0.000	0.000	0.002***
		(0.001)	(0.001)	(0.001)	(0.001)
Board connectedness	+	0.285***	0.257***	0.244***	0.106***
		(0.015)	(0.015)	(0.015)	(0.011)
Board complexity	+	0.054***	0.057***	0.057***	0.031***
		(0.002)	(0.002)	(0.002)	(0.002)
Control Variables		X	X	X	X
Year Fixed Effects		X	X	X	X
Country Fixed Effects			X	X	
Industry Fixed Effects				X	
Firm Fixed Effects					X
N		137227	137225	137225	135367
Adjusted R2		0.226	0.244	0.249	0.773

Panel B: Close CSR committees and CSR outcomes

Dependent Variable:	Carbon emission			Injury rate		
	Year+1	Year+2	Year+3	Year+1	Year+2	Year+3
	(1)	(2)	(3)	(4)	(5)	(6)
Close CSR committee	0.018	-0.046	-0.071*	-0.070**	-0.057*	-0.072**
	(0.043)	(0.044)	(0.043)	(0.031)	(0.032)	(0.034)
Control Variables	X	X	X	X	X	X
Year Fixed Effects	X	X	X	X	X	X
Firm Fixed Effects	X	X	X	X	X	X
N	17630	16770	15856	10248	9769	9258
Adjusted R2	0.966	0.967	0.967	0.859	0.864	0.867

Table 9 reports robustness test results using a stricter definition of CSR committees. In Panel A, the dependent variable is *Close CSR committee*, defined as 1 for companies with at least one closely defined CSR committee on its board during the year, and 0 otherwise. Please refer to Appendix 3 for the specific definition. The same control variables are included as in Table 4. In Panel B, the dependent variable for Columns (1)-(3) is *Carbon emissions*, which is the natural logarithm of one plus total carbon dioxide (CO2) and CO2 equivalents emission in tons. The dependent variable for Columns (4)-(6) is *Injury rate*, which is the natural logarithm of one plus the total number of injuries and fatalities including no-lost-time injuries relative to one million hours worked. The interested independent variable is *Close CSR committee*. The same control variables are included as in Table 5. All variables are defined in Appendix 1. Robust standard errors are clustered by firm and are reported in parentheses. All continuous variables are winsorized at the 1st and 99th percentiles. *, **, *** represent statistical significance at the 10%, 5% and 1% level, respectively.

Table 10
Comparison Between Voluntary and Mandatory Adoption of CSR Committees

Dependent Variable:	**Carbon emission**			**Injury rate**		
	Year+1	**Year+2**	**Year+3**	**Year+1**	**Year+2**	**Year+3**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
Voluntary CSR Committee	-0.006	-0.054	-0.085**	-0.066**	-0.066**	-0.086***
	(0.036)	(0.035)	(0.038)	(0.031)	(0.032)	(0.033)
Mandatory CSR Committee	-0.088	-0.107	-0.043	-0.016	-0.012	0.083
	(0.065)	(0.069)	(0.059)	(0.081)	(0.078)	(0.061)
Difference	-0.082	-0.053	0.042	0.050	0.054	0.170
P-Value	0.253	0.470	0.522	0.548	0.509	0.011
Control Variables	X	X	X	X	X	X
Year Fixed Effects	X	X	X	X	X	X
Firm Fixed Effects	X	X	X	X	X	X
N	18579	17644	16638	10794	10274	9715
Adjusted R2	0.966	0.967	0.967	0.859	0.864	0.868

Table 10 compares future CSR outcomes following voluntary versus mandatory CSR committee adoption. *Voluntary CSR committees* refer to board-level CSR committees adopted in all countries other than India and South Africa. *Mandatory CSR committees* refer to board-level CSR committees adopted in India and South Africa from their respective regulation effective years (2014 in India and 2010 in South Africa). The dependent variable for Columns (1)-(3) is *Carbon emissions*, defined as the natural logarithm of one plus total carbon dioxide (CO2) and CO2 equivalents emission in tonnes. The dependent variable for Columns (4)-(6) is *Injury rate*, which is the natural logarithm of one plus the total number of injuries and fatalities including no-lost-time injuries relative to one million hours worked. The same control variables are included as in Table 5. All variables are defined in Appendix 1. Robust standard errors are clustered by firm and are reported in parentheses. All continuous variables are winsorized at the 1st and 99th percentiles. *, **, *** represent statistical significance at the 10%, 5% and 1% level, respectively.