IBN HALDUN UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF MANAGEMENT

MASTER THESIS

THE IMPACT OF BOARD CHARACTERISTICS ON CORPORATE SOCIAL RESPONSIBILITY PERFORMANCE OF COMPANIES: EVIDENCE FROM EMERGING MARKETS

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THESIS SUPERVISOR: PROF. MUSTAFA KEMAL YILMAZ

ISTANBUL, 2020

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by

FARAH FINN MOHAMUD MOHAMED

A thesis submitted to the School of Graduate Studies in partial fulfilment of the requirements for the degree of Master of Arts in Management

THESIS SUPERVISOR: PROF. MUSTAFA KEMAL YILMAZ

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APPROVAL PAGE

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Arts in Management.

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This is to confirm that this thesis complies with all the standards set by the School of Graduate Studies of Ibn Haldun University.

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I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

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ÖZ

YÖNETİM KURULU ÖZELLİKLERİNİN FİRMALARIN KURUMSAL SOSYAL SORUMLULUK PERFORMANSI ÜZERİNE ETKİSİ: GELİŞMEKTE OLAN ÜLKELERDEN KANITLAR

Yazar: Mohamed, Farah Finn Mohamud
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Yönetim kurulunun özellikleri gelişmekte olan ülkelerde firmaların kurumsal sosyal sorumluluk (KSS) performansını önemli ölçüde etkilemektedir. Bu tezde, 2010-2019 yılları arasında yönetim kurulu kompozisyonunu şekillendiren beş önemli unsurun (yönetim kurulu bağımsızlığı, cinsiyet çeşitliliği, kültürel çeşitlilik, yönetim kurulu faaliyeti ve yönetici tazminatı) gelişmekte olan 23 ülkede faaliyet gösteren 1,191 finansal olmayan firmanın KSS performansına etkileri analiz edilmiştir. Çalışmaya ilişkin veriler Thomson Reuters Eikon veri tabanından temin edilmiş, yönetim kurulu özellikleri ile KSS'ye olan etkileri farklı çevresel, sosyal ve yönetimsel skorlar kullanılarak panel veri analizi ile incelenmiştir. Çalışma sonuçları, yönetim kurullarında bağımsız üye ve kadın üye sayısının fazla olması ile firmaların KSS performansı arasında pozitif ve anlamlı bir ilişki olduğunu göstermiş, bu iki unsurun KSS konusundaki çatışmaları da olumlu yönde etkilediğini ortaya koymuştur. Ayrıca elde edilen bulgular, yönetim kurulu üyelerinin ücretlendirilmesinin KSS performansını olumlu yönde etkilediğini göstermiştir. Bu itibarla, KSS performansını iyileştirmeyi, meşruiyetini güçlendirmeyi ve paydaşlarının beklentilerine cevap verebilmeyi hedefleyen gelişmekte ülkelerde faaliyet gösteren firmaların, uzun vadede başarılı olabilmek için yönetim kurullarının yapısını çeşitlendirmeleri gerekmektedir.

Anahtar Kelimeler: Cinsiyet Çeşitliliği, Gelişmekte Olan Ülkeler, Kurumsal Sosyal Sorumluluk; KSS Skorları, Yönetim Kurulu Bağımsızlığı

ABSTRACT

THE IMPACT OF BOARD CHARACTERISTICS ON CORPORATE SOCIAL RESPONSIBILITY PERFORMANCE OF COMPANIES: EVIDENCE FROM EMERGING MARKETS

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The board characteristics have important impacts on corporate social responsibility (CSR) performance of companies, particularly in emerging markets. This thesis investigates the effects of five board attributes, i.e. board independence, gender diversity, cultural diversity, board activity, board member' compensation, on the CSR performance of 1,191 publicly-listed non-financial firms operating in 23 emerging countries over the period of 2010-2019. We use a variety of ESG performance scores derived from Thomson Reuters Eikon database to measure the CSR performance and we employed panel data regression models to conduct the analysis. The results show that a greater presence of independent board members and women on boards are significantly and positively associated with CSR performance, and decrease ESG controversies. The findings also provide evidence that board member's compensation has a positive and significant effect on CSR performance. Thus, companies in emerging countries should be more conscious in structuring their corporate boards to enhance sustainability performance and to achieve long-term success in improving their reputation and meeting the expectations of stakeholders.

Keywords: Corporate Social Responsibility, Emerging Markets, Environmental, Social and Governance Scores; Gender Diversity, Independent Board Membership

DEDICATION

This work is dedicated to my parents Mr. Mohamud Ahmed and Mrs. Halima Jama (may Allah be pleased with them and grant them paradise) because they always encouraged me to pursue education and provided me with support whenever I needed it.

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Farah Finn Mohamud Mohamed

ISTANBUL, 2020

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LIST OF SYMBOLS AND ABBREVIATIONS

BA	Board Activity
BCD	Board Cultural Diversity
BGD	Board Gender Diversity
BMC	Board Member’s Compensation
CMC	Company Market Capitalization
CSD	Corporate Social Disclosure
CSP	Corporate Sustainability Performance
CSR	Corporate Social Responsibility
CEO	Chief Executive Officer
ECSR	Environmental Corporate Social Responsibility
EPS	Environmental Pillar Score
ESG	Environmental, Social and Governance
ESGCS	Environmental, Social and Governance Combined Score
ESGCNTS	Environmental, Social and Governance Controversies Score
ESGS	Environmental, Social and Governance Score
EU	European Union
FAMA	Fortune’s America’s Most Admired Corporations
GHG	Greenhouse Gases
GLS	Generalized Least Squares
GPS	Governance Pillar Score
GRI	Global Reporting Initiative
IBM	Independent Board Members
IRRC	Investor Responsibility Research Centre Institute
KEJI	Korea Economic Justice Institute
KLD	Kinder, Lydenberg and Domini
MNCs	Multinational Corporations
MSCI	Morgan Stanley Capital International
NGO	Non-governmental Organisations
RBV	Resource Based View
RDT	Resource Dependence Theory
SPS	Social Pillar Score

TRBC	Thomson Reuters Business Classification
UN	United Nations
US	United States
VIF	Variable Inflation Factor
VRIO	Value, Rareness, Imitability, Organisation

CHAPTER I

INTRODUCTION

Sustainability matters have become increasingly important for institutions globally as climate and social changes have adverse effects on operating and financial performance. As an integral part of sustainability, corporate social responsibility (CSR) has also become imperative, and since the launch of the Global Reporting Initiative (GRI) in 2000, corporate transparency on CSR issues has steadily been on the rise. Currently, 80 percent of the largest corporations in the world currently follow GRI standards (UN, 2019).

Being a relatively new topic of interest, a large body of literature on CSR until fairly recently have concentrated on developed markets. However, as the global economy becomes more interdependent, emerging markets started receiving much attention (e.g. Jo, Song, & Tsang 2016; Muttakin, Khan, & Mihret 2018; Ayuso & Argandoña 2009). This increasing awareness on CSR is not only the result of external pressure, but also due to the changes in attitude to meet corporate governance principles. In this frame, the board of directors being the major decision making body of any firm, plays an indispensable role in CSR matters. In fact, it establishes corporate policies, approves annual budgets for CSR activities, scrutinizes acts of top managers and establishes independent committees dealing with CSR issues (Walls, Berrone, & Phan, 2012).

Matten and Moon (2008) showed that corporate CSR performance of companies varies in the western developed countries. Thus, it would be interesting to elaborate on how companies in non-western countries behave compared to their counterparts in western countries. In trying to explain why there has been a scarcity of research in corporate governance studies in emerging countries, Judge, Douglas, and Kutan, (2008) delineated that the weak regulation and corruption are the leading factors in weakening corporate governance legitimacy. Uddin and Choudhury (2008) added that the social norms and traditions in developing countries are embodied by corruption, political interference and family dominance, and are not favourable to the successful implementation of corporate governance models.

Although the societal conditions are different in emerging markets, globalisation pressures have led companies in these countries to embrace contemporary corporate governance model to attract foreign investments. Pressure from aid agencies and international standard-setting bodies on governments has also led them to launch regulations to meet corporate governance standards. Hence, the effectiveness of embracing corporate governance standards and how they affect CSR performance in developing countries is a hot topic in academia (Reed, 2002; Reed, 2002; West, 2006).

1.1 Problem Definition

This study investigates whether board characteristics have any effects on CSR performance of non-financial companies in emerging markets. The topic is important since governments are no longer just involved in sustainability reporting as watchdogs, but they progressively play a vital role in enforcing transparency on financial and non-financial performance. For instance, firms are expected to report their sustainability performance in Sweden and China. Public agencies have also to report the sustainability performance, and require the same approach from their suppliers. Transparency on environmental, social, and governance matters are also important if a company wants to be listed in stock exchanges across the globe. This study attempts to give an answer the following question in this context: *What board characteristics affect corporate CSR performance in emerging markets?*

1.2 Relevance of the Study

There are various research papers that investigate the connection between CSR performance and board characteristics in emerging countries (e.g. Adib, Xianzhi, & Eiris, 2019; Chang, Oh, Park, & Jang, 2017; Khan, Muttakin, & Siddiqui, 2013; McGuinness, Vieito, & Wang, 2017; Muttakin *et al.*, 2018; Oh, Chang, & Martynov, 2011). This study aims to examine CSR performance and board characteristics across 23 emerging countries to provide insights into how companies in developing markets act in executing CSR activities. In this frame, different from the previous studies that have focused on a single or few board attributes (e.g. Hafsi & Turgut, 2013; Hussain, Rigoni, & Orij, 2018; Jizi, Salama, Dixon, & Stratling, 2014; Muttakin, Khan, & Subramaniam, 2015; Zhang, 2012), we analyse multiple board features, including

board independence, gender diversity, board members' compensation and board activity in our models. Empirical findings show the significance of board characteristics, i.e. board independence, gender diversity, and board members' compensation, in shaping CSR performance in emerging markets. However, we find no evidence that board activity and cultural diversity affect CSR performance.

This study adds to the literature in the following ways. Firstly, it combines the legitimacy of institutional theories in explaining the behaviour of companies in emerging markets on CSR performance by discussing a broad range of board characteristics across countries. Second, to the best the authors' knowledge, this is the first study that covers so many emerging markets to investigate the association of board attributes and CSR performance. Thus, it provides valuable insights to the companies for further growth opportunities by following better CSR policies.

1.3 Organization of the Study

This thesis is organised in the following manner. Chapter 2 gives the conceptual background and literature review. The hypotheses are set out in Chapter 3. The sample, data, and research methodology are presented in Chapter 4. The empirical results are discussed in Chapter 5 and finally, the last chapter concludes.

CHAPTER II
LITERATURE REVIEW

This chapter discusses the driving forces behind corporate governance to engage in CSR activities. First, we elaborate on different theories that explain the involvement of companies in CSR activities and how it is influence by board characteristics.

2.1 Corporate Governance

A business entity has different relations with various parties, including shareholders, directors, employees, customers, creditors, suppliers, society, and government. These relationships have a variety of components, sometimes contradictory. Corporate governance is the way to help managing these relationships.

Investors, various interest groups, and shareholders started to scrutinize the role of board of directors in companies since 2000. Concerns have been raised because of the fear that board members and managers may use their position to look out for their own interests and that independent board members usually lack adequate information and involvement to sufficiently monitor and provide guidance to top management. These concerns were validated by fiascos such as Global Crossing, Enron, Tyco, WorldCom, Qwest and Bernard L. Madoff Investment Securities and many others. However, academia has yet to agree on the links between independent board members and company performance (Dehaene, De Vuyst, & Ooghe, 2001; Dalton, Hitt, Certo, & Dalton, 2007; Deutsch, 2005; Larcker, Richardson, & Tuna, 2004; Peng, 2004).

Boards are the main ingredient of the corporate structure since they consider the benefits of individuals that provide capital (shareholders) and create value to the company (managers) and the interest of various other groups (stakeholders). In other words, boards are the intersection point of the small but powerful group that owns or operates the company and the huge, dispersed, and comparatively less powerful group that are concerned on the performance of company (Monks & Minnow, 2011).

2.2 Corporate Social Responsibility (CSR)

McWilliams and Siegel (2001) defined CSR as Activities which generate a certain social good, beyond the company's interests and what is required by regulation. The definition emphasizes that CSR should have actions that go beyond the bare minimum that is stipulated by government and international regulation. Other scholars have gone further and deeply analysed the definition of CSR (Matten & Moon, 2008; Dahlsrud, 2008; Archie B. Carroll, 1999; Sheehy, 2014). Among them, Dahlsrud (2008) analysed 37 distinct definitions of CSR.

There are four critical points in defining CSR (Sheehy, 2014). The first one stems from the business. This interest group pays attention to if an organisation's policies and actions are socially responsible. This is also exacerbated by other parties, mainly NGOs and civil organizations that seek to hold the 'industrial complex' to account for its damaging social impacts. This ends up being essentially a political contest, even though it seems to be a contest about definitions (Shamir, 2011).

Secondly, various academic attempts at defining CSR have caused confusion. The definitions have a tendency to reflect dissimilar disciplinary viewpoints and priorities (Sheehy, 2014). The popular approach in academia is to emphasize on the classification and description of companies' behaviours and characteristics. After which the analysis will go on to ascertain if these characteristics and behaviours are displayed for CSR. However, these types of descriptions fall short in addressing the core issue, which is, to identify the nature of the relevant phenomenon (Sheehy, 2014).

Thirdly, political philosophies have also complicated the issue. They have conflicting viewpoints such as the task of governments, the role of private companies or 'markets'' as well as political rights (Wells, 2012). Milton Friedman who held the *laissez faire* view once pointed out that ''the social responsibility of business is to make profit'' (Friedman, 1970). He opposed CSR, because he viewed it as a breach of the social preferences of the public over private property rights. On the other hand, the other view seeks to propagate CSR to bring justice to the society (Kang & Moon, 2012). Various NGOs and civil organisations have this view. They see the big industrial complexity as a social institution which should fulfil the needs of society.

Finally, governments attempt to endorse CSR to deal with social and environmental issues. Governments try to define CSR in a way that is acceptable to businesses and will create behavioural change (Sheehy, 2014). Yet, they struggle by the obligation of tackling policy requirements resulting from pledges to the political and economic influence imposed by businesses. Hence, governments agendas are different from the agendas of academics and businesses (Sheehy, 2014).

The best definition then would be one that tackles the aforementioned matters. Hence,

> CSR is a category of international private law and can be defined as a socio-political movement that generates private self-regulatory initiatives, incorporating public and private international law norms seeking to ameliorate and mitigate the social harms of and to promote public good by industrial organisations (Sheehy, 2014).

This is in line with the view of Davis (1973) who shifted the focus away from owners and onto businesses and described CSR as "the firm's consideration of, and responses to, issues beyond the narrow economic, technical and legal requirements" (p. 312).

One definition that is widely cited is that of Carroll (1999). He included ethical, legal, discretionary, and economic expectations that businesses should fulfil to the public. The economic component of the definition is the capitalistic expectation of businesses to deliver goods and services at a profit. This economic mission should be carried out by law. This is the legal part of the definition (Carroll, 1979). Ethical responsibility is characterised by the type of conduct and ethical norms that the public expects business to adhere to. Discretionary responsibilities are voluntary functions that businesses undertake, but which do not have clear definitions in society as those of ethical responsibilities. Usually they are left up to the firms' assessment and choice; however, there is still an expectation for these to be performed (Carroll, 1979, p. 500).

Another way of defining CSR is by examining the nature of driving forces behind CSR activities. Are they "implicit" or "explicit" in nature? Implicit CSR is driven by broader formal and informal societal institutions. It is usually made up of values, norms, and rules that lead to obligations for companies to tackle stakeholder issues. They are proper requirements of corporate managers in shared terms instead of individual ones (Matten & Moon, 2008). Explicit CSR arises usually as a result of

stakeholder pressure. These are policies that convey responsibility for some societal interests. They are typically made up of activities that are voluntary and plans by firms that link business and social value and address matters that are perceived as being part of their social responsibilities (Matten & Moon, 2008, p. 409).

The recurring theme in all the above definitions is the notion of going beyond what is required legally and adhering to societal norms. An all-encompassing interpretation will be used for this study; CSR is an umbrella word for a collection of conceptions and practices, which include (1) organisations having accountability for their effect on society and environment; (2) companies being responsible with whom they choose to do business with; and (3) businesses needing to manage their relationships with the society and to add value to it (Blowfield & Frynas, 2005, p. 503).

2.3 Corporate Governance and CSR Theories

Theories help explaining fairly complicated concepts and aid in understanding how social change can be initiated at various levels (Aguilera, Rupp, Williams, & Ganapathi, 2007; Unerman & Chapman, 2014). Researches on CSR theories have developed extensively over the last two decades (Jedrzej George Frynas & Stephens, 2015; Mellahi, Frynas, Sun, & Siegel, 2016; Jędrzej George Frynas & Yamahaki, 2016). CSR theories may be divided into two main groups (Mellahi *et al.,* 2016). Theories associated with the internal drivers of CSR (e.g. agency theory and resource-based view) focus on understanding the social values of actors inside the organizations and corporate management. The theories that are associated with the external drivers of CSR (i.e. institutional theory, stakeholder theory, resource dependence theory [RDT], and legitimacy theory) study the business-public relationship where CSR is the product of social relations and societal norms.

2.3.1 Stakeholder Theory

Stakeholders are individuals or groups who have a vested interest in a firm and can either directly affect or be affected by the business. The main stakeholders are investors, employees, customers and suppliers (Ansoff, 1965). However, contemporary theory goes beyond this original idea and includes additional

stakeholders such as a community, government or trade associations (Bowen, 1953; Freeman, 2015).

Stakeholder theory evaluates corporate activities as a direct outcome of stakeholder pressures relating to "power dependence" (Clarkson, 1995; Jawahar & McLaughlin, 2001; Freeman & David, 1983) or "legitimacy claim" (Langtry, 1994; Hill & Jones, 1992). Mitchell, Agle, and Wood, (1997) consolidated various features into a single framework for identifying a stakeholder and claimed that the influence of stakeholders depends on three attributes: *powe*r, *urgency, and legitimacy. Power* is the capacity of the stakeholder to impose its will on others in spite of their defiance to perform an action they would not customarily do. *Urgency* is the degree to which "stakeholder claims call for immediate attention". *Legitimacy* relates to the stakeholder 's authority and the right to use power in respect to a claim made against the firm.

Stakeholder theory can be further analysed from "descriptive and normative perspectives" (Gray, Owen, & Adams, 1996; Donaldson & Preston, 1995). Descriptive stakeholder theory takes the stakeholder model to describe what the firm really is and how it handles stakeholder relationships. In this regard, the organization ascertains which stakeholder claims are noteworthy and thus stakeholder salience is directly relevant. The normative stakeholder theory view is that the valid interests of every stakeholder ought to be taken into consideration since the organization bears responsibility to all its stakeholders. In this study, we use descriptive stakeholder theory in line with previous studies (Mellahi *et al.,* 2016; Frynas & Stephens, 2015). Studies based on stakeholder theory have usually offered evidence on how pressures from different stakeholders affect the performance of companies to conduct CSR activities. Previous researches have explored, inter alia, how stakeholder pressures influences firms' environmental strategy and policies (Darnall, Henriques, & Sadorsky, 2010; Christmann, 2004), corporate reports on environmental issues (Roberts, 1992; Neu, Warsame, & Pedwell, 1998;Elijido-Ten, Kloot, & Clarkson, 2010), and corporate charity (Moir & Taffler, 2004; Brammer & Millington, 2003, 2004). For instance, Brammer and Millington (2003) observed that companies' philanthropic endeavours became increasingly open to influence by stakeholders in the 1990s, whilst Christmann (2004) pointed out that demands from external stakeholders led to multinational companies (MNCs) standardising their environmental policy.

Other studies have explored variability of individual stakeholder attitudes and interests both between and within groupings (e.g. Cordano, Frieze, & Ellis, 2004 on environmental strategy influences, Wolfe & Putler, 2002 on stakeholder relations, and Sobczak & Havard, 2015 on labour unions' CSR plans). Nevertheless, what has received extensive attention is the connection between corporate financial performance (CFP) and corporate social performance (CSP). There has been mixed results; positive (Balabanis, Phillips, & Lyall, 1998; Callan & Thomas, 2009; Hart & Ahuja, 1996; Montabon, Sroufe, & Narasimhan, 2007), negative (Brammer, Brooks, & Pavelin, 2006; Cordeiro & Sarkis, 1997; Dobre, Stanila & Brad, 2015) or neutral (Aupperle, Carroll, & Hatfield, 1985; Orlitzky, 2013).

2.3.2 Institutional Theory

Institutional theory argues that the institutional environment sways firm behaviour. This includes the organization's social environment, the "scope of its activities, and its social relationships network" (Jędrzej George Frynas & Yamahaki, 2016). There are three ways of categorizing the institutional theory approach. The economic approach, also known as "new institutional economics", focuses on the regulatory role of institutions which support economic activity (North, 1990; Miller, Davis, & North, 1972). The sociological dimension or "neo-institutionalism" looks at the legitimacy function of institutions (Scott, 2013; DiMaggio & Powell, 1983). Finally, the comparative institutional approach tackles the differences between institutional arrangements such as different economic systems and regulatory environments that characterize economies and mould business organisation and firm competitiveness (e.g. Hall & Soskice, 2003; Whitley, 1999; Wood, Dibben, & Ogden, 2014).

Neo-institutionalists claim that companies that operate in similar institutional environment face similar institutional pressures. There are studies that examined companies in the same national environment (Doh & Guay, 2006; Fransen, 2013; Holder-Webb & Cohen, 2012) and also in similar industries (Kolk & van Tulder, 2006). For both cases, they suggested that companies end up practicing similar CSR activities. Some studies that employ the comparative institutional approach showed significant differences among companies in the US and Europe (Doh & Guay, 2006; Avetisyan & Ferrary, 2013; Sison, 2009; Matten & Moon, 2008).

Many other studies have also investigated MNCs and how they deal with competing institutional pressures in different environments (Aguilera-Caracuel, Aragón-Correa, Hurtado-Torres, & Rugman, 2012; Jamali, 2010; Hah & Freeman, 2014). Aguilera-Caracuel *et al.* (2012) observed that the greater the environmental institutional distance between subsidiaries and headquarters is, the less standardised the environmental practices become, whereas Marano & Kostova, (2016) distinguished some specific issues can make particular institutional demands more important than others in implementing CSR practices. Thus, treating CSR as an arena of competing institutional pressures helps understand the differences in firms' approaches, and is a building block in explaining CSR performance (Frynas & Yamahaki, 2016).

2.3.3 Legitimacy Theory

This theory presumes that firms work based on some form of a social contract between the society and the firm and they need the approval of society to be sustainable (Frynas & Yamahaki, 2019). Thus, firms should constantly legitimize their activities to maintain a balance between the objectives of society and firm (Ashforth & Gibbs, 1990; C. Deegan, 2002; Dowling & Pfeffer, 1975; Preston & Post, 1981)

Legitimacy theory may be categorised as either strategic or institutional. Strategic legitimacy presumes some amount of managerial control over the processes of seeking legitimacy (Suchman, 1995). Here, legitimacy is supported by resource dependence and the stakeholder theories (Sonpar, Pazzaglia, & Kornijenko, 2010) that highlight the importance of resources and why managers and executives should be careful with the people who are in charge of these resources (Milne & Patten, 2002). Consequently, it is deemed that groups outside the organisation give legitimacy to the firm. This is what led Gray, Kouhy, & Lavers (1995) to highlight that stakeholder theory and legitimacy theory have "overlapping perspectives". The difference is that legitimacy theory generally looks at the expectations of society as a whole while stakeholder theory concentrates on how a firm interacts with particular groups within the society (Deegan, 2014).

The strategic view studies corporate social disclosure to explain the disparities between business practices and societal expectations (Patten, 1992; O'Donovan, 2002). Campbell (2003) noted that firms which had greater environmental sensitivity

usually release supplementary environmental information in annual reports unlike firms operating in industries with lower environmental sensitivity. Other studies have also used legitimacy theory and come to similar conclusions (Arvidsson, 2010; Panwar, Paul, Nybakk, Hansen, & Thompson, 2014; Branco & Rodrigues, 2006). Likewise, Adams, Hill, and Roberts (1998) noted that environmental disclosure reports are of more importance in industries that exploit large amounts of limited natural resources, and bigger firms are more likely to release information on corporate social practices.

2.3.4 Resource Dependence Theory (RDT)

Pfeffer & Salancik (1978) developed RDT argue that organisations as institutions are reliant on their environments to ensure the flow of vital resources for their survival. Thus, they have to address the demands of the individuals or groups that supply these resources. RDT proposes that a firm will not address all social demands put upon it, but instead it will strategically choose addressing those ones that come from important players who control the critical resources that the firm needs (Frooman, 1999; Pfeffer & Salancik, 1978). This strategic approach differentiates it from institutional theory (Jędrzej George Frynas & Yamahaki, 2016). For example, firms operating in a natural resource industry which is highly dependent on local communities from rural areas in emerging markets, invest in wide-ranging local development schemes in education and health (Hess & Warren, 2008). Similarly, lobby groups like NGOs pick CSR activities that they can influence (Hendry, 2005).

In RDT, the board of executives plays a central role in safeguarding the flow of important resources (legitimacy, knowledge or personal ties) to the organisation (Mallin, Michelon, & Raggi, 2013; de Villiers, Naiker, & van Staden, 2011; Hafsi & Turgut, 2013; Ortiz-de-Mandojana, Aragón-Correa, Delgado-Ceballos, & Ferrón-Vílchez, 2012). Hafsi and Turgut (2013) observed that an organisation's social performance is positively linked with board-room diversity. De Villiers *et al.* (2011) observed that environmental performance is better in companies with bigger boards, more legal experts, and diverse active CEOs on the board. Ortiz-de-Mandojana *et al.* (2012) detected that multiple directorships of board members in companies which

provide knowledge-intensive business services, has a positive effect on the implementation of proactive environmental strategies.

The relationships with external groups also leads to improvement in corporate environmental performance (Ramanathan, Poomkaew, & Nath, 2014; Ortiz-de-Mandojana *et al.*, 2012; Kassinis & Vafeas, 2006). Ramanathan *et al.* (2014) found that stakeholder and economic pressures, and environmental regulations are linked to advancements in environmental performance, while Kassinis and Vafeas (2006) showed that companies that depend more on their local community have better environmental performance

2.3.5 Resource Based View (RBV)

RBV differs from RDT. It focuses on the strategic ability of a company to exploit internal resources to have sustainable competitive advantage, rather than focusing on strategic management of the external environment (Frynas & Yamahaki, 2016). The VRIO (Value, Rareness, Imitability, Organization) framework developed by Barney (2002) found a business' competitive advantage by inquiring if an organisation's resources are valuable, rare, costly to imitate and are utilised by the business. If businesses have resources that combine all four attributes, sustainable competitive advantage can be achieved.

CSR is also used to justify investment in capabilities that will differentiate a company from its competitors. Studies have shown that companies can achieve economic advantages through CSR (Hart & Dowell, 2010; McWilliams & Siegel, 2011; Russo & Fouts, 1997). Most of CSR studies relating to RBV have superficially employed the VRIO framework (Falkenberg & Brunsæl, 2011; Peters, Siller, & Matzler, 2011) or focused on the economic advantage aspect (Brik, Rettab, & Mellahi, 2011; Menguc, Auh, & Ozanne, 2010; Russo & Fouts, 1997) to offer evidence that environmental and social activities can improve company performance.

Very few studies used RBV to explain corporate governance characteristics and CSR performance. One such study held on Malaysia (Katmon, Mohamad, Norwani, & Farooque, 2019) examined how board diversity affects CSR disclosure from an RBV

perspective and found positive links with the aforementioned variables except board age and national diversity. Some studies argued that although CSR can provide some competitive advantage (Frynas & Stephens, 2015; McWilliams & Siegel, 2001), unlike other advantages that are harder to mimic such as technological resources (Huang, Dyerson, Wu, & Harindranath, 2015) or corporate political activities (Boddewyn & Brewer, 1994), CSR activities are observable and can be imitated.

2.3.6 Agency Theory

Agency theory focuses on the relationships involving agents and principals. The agent represents the principal and is required to represent the interests of the principal without any self-interest. Various interests of principals and agents may lead to conflict since some agents may not always act in the principal's best interests. The subsequent miscommunication and difference may result in problems. Mismatched desires may cause inefficiencies and financial losses (Eisenhardt, 1985; Amihud & Lev, 1981; Spence & Zeckhauser, 1978; Jensen & Meckling, 1976).

Friedman (1962) argued that CSR is one of those self-serving behaviours of managers (agents). He posited that the quest for environmental and social objectives in the end harms shareholders (principals) by lowering the business’s profit. Early studies looking at CSR from this theoretical perspective agreed with this view (Bearman & Galaskiewicz, 1988; Wright & Ferris, 1997). For instance, Bearman & Galaskiewicz (1988) argued that CEOs use the philanthropic approach to secure approval and respect from their peers. There are also other studies in line with this argument (Werbel & Carter, 2002; Faleye & Trahan, 2011; Barnea & Rubin, 2010).

On the other hand, some recent research on agency theory treat CSR as contributing to non-financial and financial performance (Berrone & Gomez-Mejia, 2009; Oh et al., 2011; Bear, Rahman, & Post, 2010). For example, Oh et al. (2011) observed a significant, positive relationship between ownership by institutional and foreign investors and CSR ratings, implying that, to avert financial risks, they would rather invest in responsible firms. While some studies used agency theory to investigate the link between CSR performance and CEO compensation (Deckop, Merriman, & Shurti, 2006; Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010; McGuire, Dow, &

Argheyd, 2003), other studies explored how CSR-related decision making is affected by the individual characteristics of CEOs and board members (Bear et al., 2010; Chin, Hambrick, & Treviño, 2013; Wang & Coffey, 1992).

A big limitation of agency theory is its narrow interpretation of the dynamic behaviour of companies (Eisenhardt, 1989, p. 71). To overcome it, one should use agency theory in conjunction with other theories.

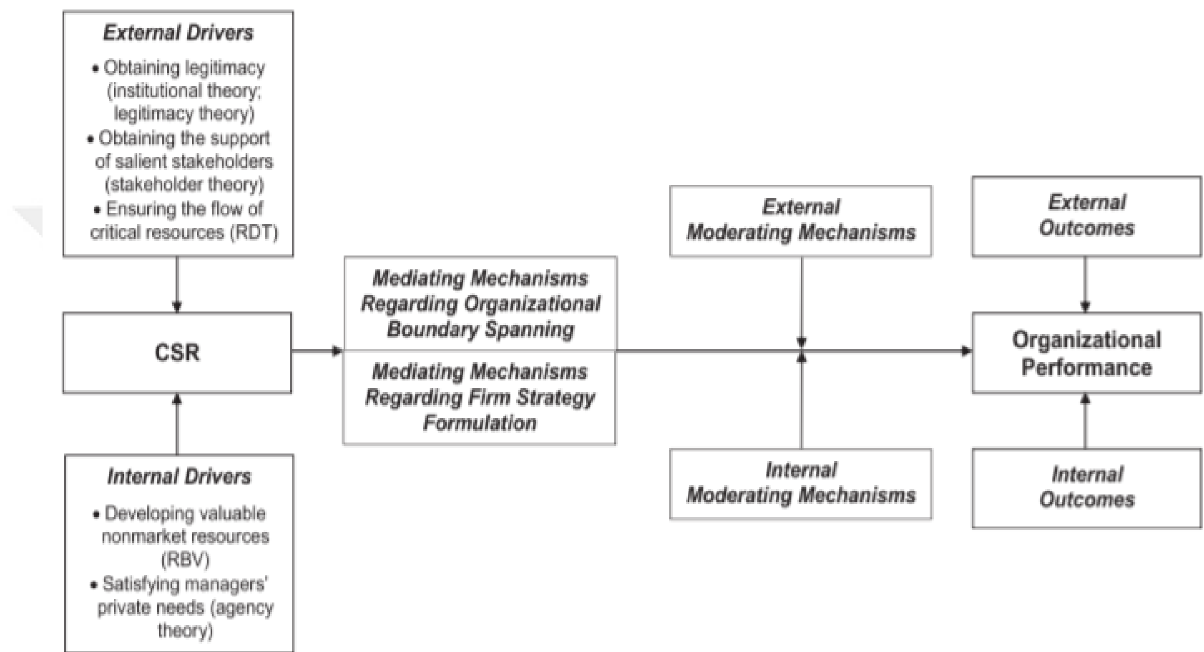

Figure 2.1. Conceptual Framework of CSR (Mellahi et al., 2016)

2.4 Board Characteristics and CSR

Previous academic studies have evaluated the effects of certain governance attributes on CSR performance in companies. A summary of these studies and their results are shown in Table 1.

2.4.1 Board Independence

Independent board membership refers to a board member that is not employed by the company and does not have a significant business affiliation with the firm. Agency theory proposes that managers' actions can be controlled by independent monitoring through appointing outside board members (Walsh & Seward, 1990). Managers' selfish activities are more likely to be prevented by presence of outside directors

protecting the company from socially irresponsible actions. Therefore, board independence may encourage CSR since these board members are expected to pursue the company’s long-term success and have better stakeholder orientation (Johnson & Greening, 1999; Wang & Dewhirst, 1992)

To exemplify, Wang and Dewhirst (1992) observed that independent board members exhibit greater employee orientation. Ibrahim, Howard, and Angelidis (2003) and Ibrahim and Angelidis (1995) claimed that independent directors lean towards corporate philanthropic activities. Compared to managers, independent board members are also keen to act in accordance with environmental standards (Johnson & Greening, 1999) and adopting ethical codes (García-Sánchez, Rodríguez-Domínguez, & Frías-Aceituno, 2014). They usually have more diverse backgrounds in education and professional experience (Williams, 2003). They also increase CSR information disclosure (Prado-Lorenzo & Garcia-Sanchez, 2010; Barako & Brown, 2008).

Many researchers agree that independent directors are objective and not easily influenced by corporate directors (Kosnik, 1987; Fama, 1980; H. Singh & Harianto, 1989; Mizruchi, 1983). Mangel and Singh, (1993) affirmed that independent directors resist influence from the CEO and other managers. However, since non-executive directors can be corporate executive in other companies, this might compromise their impartiality (Mangel & Singh, 1993). Further, companies usually imitate each other (Haniffa & Cooke, 2005; DiMaggio & Powell, 1983; Bettenhausen & Murnighan, 1985) and this can reduce the expected positive impact of independent directors (Elsakit & Worthington, 2014). In brief, a greater presence of independent board executives would undoubtedly raise the effectiveness of a company by using resources to address stakeholders’ claims.

2.4.2 Women on Boards and CSR

One popular study that emerged after the 2008 financial crisis asked the question of what if the Lehman Brothers was Lehman Sisters? (Van Staveren, 2014). The motivation of the study was that women executives perform on average better than men, in particular under uncertainty. In fact, women have more communal characteristics; they are caring, sympathetic, kind, cooperative, concerned about

others' well-being, nurturing and interpersonally sensitive (Eagly, Johannesen-Schmidt, & Van Engen, 2003). Huse, Nielsen, & Hagen, (2009) claimed that ‘‘women's attention to and consideration of the needs of others, may lead to women's active involvement in issues of strategic nature that concern the firm and its stakeholders (p. 138)’’ Thus, women could be more responsive to particular organisational practices, such as CSR and environmental issues.

Previous research provides evidence of a positive link between corporate charitable giving and boards with women directors (Ibrahim & Angelidis, 2011; Williams, 2003). Women directors also positively affect tasks that are qualitative in nature, for instance CSR controls and strategy setting (Bilimoria, 2000; Huse *et al.,* 2009; Rosener, 1990). Ibrahim and Angelidis (2011) examined the orientations of corporate directors towards adopting CSR programs and found female directors had a higher orientation towards charitable donations compared to their male colleagues and they are more oriented towards the CSR matters.

Other studies on women directors indicate that they are more concerned with social issues compared to men. Consequently, they offer more contribution to effective decision making on CSR related matters (Ibrahim & Angelidis, 2011; Burgess & Tharenou, 2002). Furthermore, women usually have diverse professional backgrounds, (Singh, Terjesen, & Vinnicombe, 2008; Hillman, Canella, & Harris, 2002) they also take up a more participative leadership style relative to male directors (Eagly *et al.,* 2003). Their broad perspectives encourage an atmosphere where open conversations are held and this could aid the board more in successfully addressing CSR issues (Bear *et al.,* 2010). Thus, they are more likely to be assigned in committees that deal with CSR issues (Bilimoria & Piderit, 1994; Burgess & Tharenou, 2002; Shrader, Blackburn, & Iles, 1997; Williams, 2003; Zelechowski & Bilimoria, 2006).

2.4.3 Board Diversity and CSR

Board diversity (e.g. cultural, professional, education) is increasingly becoming the norm in the modern era. One reason is that firms want to show their customers and other stakeholders that they are sensitive to their preferences, and concerns (Luoma & Goodstein, 1999; Wang & Dewhirst, 1992). Just as employee diversity enhances the

likelihood of a firm performing more successfully in the extremely competitive global marketplace and appeal to a wider customer base (Thomas & Ely, 1996; Robinson & Dechant, 1997), so does the board diversity (Hambrick, Werder, & Zajac, 2008).

Not only does outside pressures create the need for diverse boards, internal forces could also force firms to increase diversity since it can helps in attracting the best talents from labour markets without the prejudices of ethnicity, gender or age (Berman, Wicks, Kotha, & Jones, 1999). Likewise, from a decision-making perspective, diversity produces innovation, and consequently organizational economic advantages (Powell, 2012). Boardroom diversity also creates new and different ideas which enhance corporate performance (Zahra & Pearce, 1989). However, some studies challenge the positive links between diversity and performance (Dalton, Daily, Ellstrand, & Johnson, 1998). The varying results could be due to differences in performance measures, research methodologies or theoretical perspectives used by researchers (Zahra & Pearce, 1989).

Prior studies overwhelmingly prove that there is a positive link between boardroom diversity and CSR (Williams, 2003;Webb, 2004; Siciliano, 1996; Post, Rahman, & Rubow, 2011). One early study showed that board members diversity improves the "breadth of perspective, cognitive resources, and problem-solving capacity" (Hoffman & Maier, 1961) and claimed that higher quality solutions to problems were produced by heterogeneous groups than homogeneous ones. This can also be applicable to CSR since the latter needs a complete awareness of several stakeholders' demands and interests (Hung, 2011). Diverse boards with access to multiple stakeholders may aid a firm to engage better in CSR pursuits. However, there are also research papers (e.g., Goodstein, Gautam, & Boeker, 1994) pointing out that diversity may have negative effects , such as relational and emotional conflicts. They claim that diversity can create confusion during the implementation of the 4Cs (i.e. communication, collaboration, coordination and cohesiveness) (Auh & Menguc, 2005). One such study suggested that CSR disclosure might be negatively affected by foreign board members since foreign citizenship acts as a protection to the interests of the shareholder and might play down the significance of social disclosure (Elsakit & Worthington, 2014).
We generally believe that board diversity may augment an organisations' capacity to identify the interests of various groups and to decide on the most suitable policies that

would align their varied interests and mitigate impending conflicts among stakeholders. Companies that have diverse boards will have a wider knowledge base and outlook to make decisions on CSR matters, implying a positive link between board diversity and CSR.

2.4.4 Board Activity and CSR

How many times in a year a board meets is normally used in quantifying board activity (Laksmana, 2008). According to some studies, frequent meetings may signify the ineffectiveness of directors and may result in performance reductions (Vafeas, 1999). Other studies oppose this argument claiming that it shows the board's efficiency, which enables greater supervision of a company's activities in turn motivating businesses to enhance transparency (Lipton & Lorsch, 1992).

There are several studies that found a positive link between CSR and board diversity (Adawi & Rwegasira, 2011; Jizi *et al.,* 2014; Hussain *et al.,* 2018; Jizi, 2017; Kent & Stewart, 2008; Ricart, Rodríguez, & Sánchez, 2005). Ricart *et al.* (2005) inferred that frequent board meetings could indicate priority of strategic planning by the firm's directors. They observed that sustainability issues were discussed in a lot of the board meetings. Kent & Stewart (2008) used quantity of disclosure as a proxy of CSR performance and found that some features of better corporate governance, such as board and audit committee meetings frequency was positively related to the quantity of disclosure.

Studies with support for a positive link between board activity and CSR performance usually employ agency theory approach. They consider that frequent board meetings signify that a board doing its due diligence (Hussain *et al.,* 2018). This is similar to the findings of other studies which looked at ethical behaviour of firms with boards that met more frequently. The quarterly earnings reports contained fewer instances of asymmetric information (Kanagaretnam, Lobo, & Whalen, 2007) and corporate earnings were less manipulated (Xie, Davidson, & Dadalt, 2003). It suggests that frequent board meetings reduce agency costs as the additional time allocated for meetings is in the interest of stakeholders (Lipton & Lorsch, 1992).

Some studies, in contrast, found a negative relationship between CSR performance and board activity (Prado-Lorenzo & Garcia-Sanchez, 2010; Vafeas, 1999). Vafeas (1999) detected a negative relationship between firm value and the number of meetings held each year in a sample of 307 listed US companies over the period 1990-1994. He suggested that more meetings usually create greater coordination costs. Therefore, negative assessment effects could arise from a higher number of meetings. According to a more recent study, which compared frequency of board meetings and CSR disclosure for 34 German firms and found a negative but statistically insignificant relationship, the negative relationship could be because of the agenda is split into several meetings without expounding on sustainability matters (Dienes & Velte, 2016). Other studies found that the relationship is not statistically significant (Birindelli, Dell'Atti, Iannuzzi, & Savioli, 2018; Frias-Aceituno, Rodriguez-Ariza, & Garcia-Sanchez, 2013; Webb, 2004).

2.4.5 Board Executives' Compensation and CSR

The studies on board members' compensation and its relationship with CSR outcomes is limited (Berrone & Gomez-Mejia, 2008). This is due to the fact that this field has mostly covered firms' financial performance studies (Gomez-Mejia & Wiseman, 1997; Barkema & Gomez-Mejia, 1998). Still, there is some research on the issue (for example, Deckop *et al.,* 2006; McGuire *et al.,* 2003; Hong, Li, & Minor, 2016; Mahoney & Thorn, 2006; Berrone & Gomez-Mejia, 2009).

CSR is a performance measure just like financial performance. Thus, just as in other performance measures, it is expected to be incentivized (Hong, 2017). Hence, well paid boards will most likely have higher CSR performance (Berrone & Gomez-Mejia, 2009; Mahoney & Thorne, 2005; Hong *et al.,* 2016). Hong *et al.* (2016) linked executive compensation to a company's social performance and concluded that offering executives with direct incentives for CSR is an effective way of improving an organisation's social performance. They also suggested that shareholders are more likely to be benefit from CSR activities as opposed to it being an agency cost. Studies that linked positive CSR outcomes to compensation usually take the agency theory approach that suggests that executives make decisions that are consistent with their self-interest (Baiman, 1982).

Hill and Jones (1992) and Coombs and Gilley (2005) studied CSP's different dimensions and how it affects CEOs' total compensation, stock options, bonuses and salaries by using stakeholder-agency approach and they argued that executives should be remunerated for the successful management of both shareholders' and stakeholders' needs. They used 5 dimensions of CSP; product performance, environment performance, employee performance, diversity performance, and community performance which they got from Kinder, Lydenberg, Domini and Company, also known as KLD, index. They found that a majority of the elements of CSP had no effect on long term salaries, bonuses and total pay and negatively affected CEOs' salaries. Nevertheless, the authors observed that executives who increased both financial and environmental performances were given better remuneration, whereas executives who maximised financial performance and diversity in the workforce obtained higher bonuses. McGuire *et al.* (2003) using compensation measures as antecedents of CSP found no significant relationship between incentives and strong social performance. However, weak social performance has a positive link with long-term incentives and salary.

Table 2.1. A Summary of the Studies on Board Characteristics and CSR

Study	Sample	Country	Theory	Board Characteristics	CSR/ESG Measures	Major Findings
Ben-Amar et al. (2015)	541 public-listed Canadian firms	Canada	Critical Mass Theory	Board gender diversity	Disclosure of climate change strategies and GHG emission (dummy)	Companies which have more women representation in their boards publish more climate change related materials in their reports
Bear et al. (2010)	51 Fortune 2009 World's Most Admired Companies List	US	Resource Dependence & Agency	Board background diversity & proportion of female board members	KLD ratings for institutional strength and technical strength	Found a statistically significant positive relationship with regards to gender composition of boards, but insignificant for the resource diversity-based hypotheses
Zhang et al. (2013)	516 Fortune 2008 World's Most Admired Companies	US	Legitimacy	Outside directors & proportion of female board members	CSR data from Fortune's America's Most Admired Corporations (FAMA) & KLD CSR ratings	More presence of outside and women directors is positively linked to CSR performance based on the firm's industry.
Ibrahim et al. (2003)	307 S&P directors (questionnaire)	US	Upper echelon	Outside directors	Questionnaire with 22 items to measure economic, legal, ethical, and discretionary responsibilities.	Outside directors display more orientation towards the discretionary component of CSR and a weaker concern about economic performance. There weren't any significant differences between the two groups in regards to the legal and ethical dimensions of CSR.
Harjoto & Jo (2011)	2952 firms	US	Agency & Conflict Resolution	Outside directors, proportion of institutional investors & analysts following the firm	KLD's inclusive social rating criteria	CSR discretion is positively related to governance attributes, including independence of the management, ownership of organizations and analysts.

Barnea & Rubin (2010)	2649 firms	US	Principal-Agent	Insider ownership, Insider control, Institutional ownership	KLD's CSR ratings	Insiders' holdings are negatively correlated with CSR rating. Institutional holdings are not correlated with CSR
Wang & Dewhirst (1992)	Survey of 2,361 directors in 291 firms		Stakeholder	Outside directors, CEO-director duality	Questionnaire with 13 CSR dimensions	CEO directors, insiders had significantly higher government and customer orientation than outsiders and non-CEO directors, insiders had significantly lower government and customer orientation than outsiders. Outside directors have much stronger employee orientation than inside directors. Non-CEO directors have much higher stockholder orientation than CEO directors. Finally, no significant result was found on the society factor
Ibrahim & Angelidis (1995)	429 S&P	US	Upper echelon	Outside directors	Questionnaire with 22 items to measure economic, legal, ethical, and discretionary responsibilities.	Outside directors showed a weaker concern to economic performance and more orientation towards the discretionary component of corporate responsibility. No significant differences were observed between the two groups with respect to legal and ethical dimensions of CSR.
Williams (2003)	185 Fortune 500 firms	US		Proportion of female board members	Firm's total charitable contributions	Found that firms with a higher proportion of women in boards take part in charitable giving more than firms that had a lower proportion of women on their boards
Johnson & Greening (1999)	252 from Fortune's 1000	US	Resource Dependence	Outside directors	KLD CSR people ratings	Having more outside board members was positively related to CSR dimensions.
Frias-Aceituno et al. (2013)	568 companies	Multiple	Agency	Board diversity, gender diversity, board size, board independence and board activity	Corporate social reporting and integrated reporting	Board size and number of women on boards were significant and positively related to CSR reporting.
Kent & Stewart, (2008)	965 firms	Australia		Board independence, audit committee presence, CEO/chairman duality, board size, board activity	CSR disclosure in annual reports	The amount of CSR disclosure was positively related to certain characteristics of improved corporate governance, for example the number of board

						meetings and audit committee meetings, and also auditor choice.
Prado-Lorenzo	283 firms	Multiple	Stakeholder-Agency	Board independence, female board members, CEO duality	Carbon Disclosure Greenhouse gas emissions	Positive relationship between women on boards and GHGE disclosure. Board independence had a non-significant negative relationship. CEO duality had a significant positive impact on information reporting.
Bouloutta (2013)	126 firms drawn from the S&P 500	US	Social Role Theory and feminist ethics	Gender diversity	KLD, concentrating only on. community, products, employees, environment	Diversity of gender on the board greatly affects CSP. But that relationship relies on the metric of social performance. Particularly, CSP metrics are affected more by gender diverse boards that focus on 'negative' business practices, like the 'concerns' dimension of Kinder Lindenberg Domini, Inc. (KLD) ratings
Haniffa & Cooke (2005)	139 firms	Malaysia	Legitimacy	Cultural diversity (ethnic), Multiple directorships, Foreign ownership	CSR disclosure in annual reports	Significant positive link between corporate social disclosure and boards dominated by Malaysian directors, boards dominated by executive directors, chair with multiple directorship and foreign shareholding
Chau & Gray (2010)	273 firms	Hong Kong	Agency	Family ownership & board independence	CSR disclosure in annual reports	Family shareholding (more than 25%), is related with higher voluntary disclosure. Independent board chair is positively associated with the level of voluntary disclosure.
Katmon et al (2019)	200 listed firms in Bursa Malaysia during 2009–201	Malaysia	Resource Based View	Board diversity (gender, educational level, nationality, age, tenure, ethnicity	CSR disclosure in annual reports	Board education level, gender diversity and board tenure diversity are positively significant with the quality of CSR disclosure. A positive link between CSR reporting and gender diversity was also found. CSR disclosure has a negative, significant relation with board age and nationality.
Elsakit & Worthington (2014)	Literature review	Non	Agency	Multiple directorships, outside directors & foreigners on board	CSR disclosure in annual reports	Literature review

Handjani et al. (2014)	152 firms	Indonesia		Board age, board gender, board independence, board size and board tenure	Corporate social disclosure	Board size and age have significant positive link with corporate social disclosure. Board tenure and board gender have significant negative effect on corporate social disclosure, while board independency does not.
Hafsi & Turgut (2013)	95 companies listed in the S&P500	US	Stakeholder	Diversity of boards (Board size, director independence, stock ownership, duality), diversity in boards (gender, ethnicity, age, experience, tenure)	KLD CSR ratings	Diversity in boards has a positive significant relationship with social performance and is moderated by board diversity. Particularly, age and gender have a significant effect on corporate social performance
Hoang et al. (2016)	133 firms	Vietnam	Resource Dependence Theory and Agency theory	Diversity of boards	Corporate social disclosure	Diversity-in-boards (differences within a board's directors, i.e. board members' demographic features) is positively associated to disclosure while diversity-of-boards (differences among firm boards, i.e., board structure) has no effect on CSD.
Oh, et al. (2011)	118 firm	Korea	Agency	Ownership (institutional, managerial, foreign), outside director ownership,	Korea Economic Justice Institute (KEJI) CSR ratings	Relationship between ownership by institutions and foreign investors and CSR is significant and positive. Top managers 'shareholding is negatively associated with the CSR rating of the company, whereas outside managers' ownership is not significant
Post et al. (2011)	78 Fortune 1000 companies	US	Agency	Outside board directors, female directors, directors average age	Environmental CSR & KLD CSR ratings	Presence of more independent board directors is associated with better environmental corporate social responsibility (ECSR) and higher KLD strengths scores. Boards having 3 or more female directors had better KLD strengths ratings. Board average age closer to 56 years and those with a larger number of Western European directors are more likely to implement structures or processes for environmental governance
Webb, 2004	394 firms	US	Agency	CEO age, CEO/chairman duality, outside board members, board structure, gender diversity, board activity, board size, multiple board memberships	KLD CSR ratings	Positive relationship between socially responsible firms and board independence, gender diversity, multiple board memberships, lower board activity, large board size and CEO/ chairman duality.

Birindelli at al. (2018)	108 listed banks	Multiple	Legitimacy	Women on boards, independent directors, board meeting, board size, CSR committee	ESG SCORE from Asset4.	Gender diverse board of directors and the ESG performance of banks' relationship is an inverted form of U. There is a significant positive relationship between board size and ESG performance or the existence of a CSR committee, however this is negative with the share of independent directors
Jizi et al. (2014)	98 Banks	US	Agency	Board independence, board size	CSR disclosure in annual reports	Board independence and board size are found to be associated with shareholder interest protection and are positively linked to disclosure of CSR.
Harjoto et al. (2014)	1489 firms	US	Stakeholder	Board diversity (gender, tenure, and expertise)	MSCI ESG Stats	Tenure, expertise and diversity of gender are positively linked to the CSR activities. In addition, CSR performance is boosted significantly by board diversity which increases CSR strengths and reduces CSR concerns for companies operating in more competitive industries and companies producing consumer-oriented products.
Zhuang et al. (2018)	839 firms	China	Upper echelon	Board political experience, academic experience, overseas background, and gender diversity	Rankins database CSR ratings	Academic experience, political experience, and overseas background of the board executives are positively related to the firm's CSR performance
Sharif & Rashid (2013)	22 banks	Pakistan	Stewardship	Non-executive directors, foreign nationals on board	CSR disclosure in annual reports	Non-executive board members have a significantly positive impact on the CSR
Dienes & Velte (2016)	150 firms	Germany	Resource Based View	Gender diversity, expertise, presence of former managers, frequency of meetings, and size of the supervisory board	CSR disclosure in annual reports	Gender diversity has a significant effect on CSR reporting intensity. Non-significant on other variables tested.

2.5 Overall Evaluation

This chapter presents academic literature on CSR and corporate governance. CSR is a complicated concept and its definition is contested. CSR activities stem from the roles of the firms in society and take into consideration stakeholders' economic, social and environmental responsibilities and also their expectations. Board characteristics also affect CSR performance. CSR can be explained by using different theories, the most prominent ones being *stakeholder theory* that appeal to the interests of stakeholder, *institutional theory* that adheres to institutional pressures and norms to further their legitimacy, *resource dependence theory* that safeguards significant resources from important stakeholders, *resource based theory* that develops indispensable resources to pursue opportunities, and *agency theory* that satisfy managers' self-interests.

CHAPTER III
HYPOTHESIS DEVELOPMENT

3.1 Board Independence

In general, the board's independence is determined by using the proportion of external directors on the board. Consistent with agency theory, independent directors enable efficient management and supervision on board activities since they may come up with more objective judgments due to their limited involvement in company's operations (Jizi, 2017). Further, the compensation of an independent board member is not linked to short-term financial performance like executive directors. Therefore, boards with more independent executives are expected to act better in monitoring (Cheng & Courtenay, 2006; Ahmed, Hossain, & Adams, 2006) and to involve more in sustainability activities (Ibrahim *et al.*, 2003; Jizi *et al.,* 2014). Likewise, according to stakeholder theory, conflict of interests among stakeholders, is reduced by greater board independence encouraging management activities to focus more on maximizing lasting value and high-level transparency (Cheng & Courtenay, 2006; Ahmed *et al.,* 2006). Hence, boards with more independent executives make more voluntary disclosure and engage more in CSR activities (Cheng & Courtenay, 2006; Chau & Gray, 2010). Thus, we propose the following hypothesis:

Hypothesis 1: Board independence is positively related to CSR performance

3.2 Board Gender Diversity

Companies that have more female directors on boards are expected to perform better in CSR activities. This is usually attributed to stereotypical nature of women as being more social and environmental conscious than men (Burgess & Tharenou, 2002). This ends up enriching the boards and addressing the needs of stakeholders. This positive association may be explained by using resource dependence theory. Also, Pfeffer & Salancik (1978), RDT claims that the external environment of a firm impacts its performance where diverse boards are needed to fulfil the functions of the board. For instance, differing skills and experiences of female and male board members are vital for decision making to increase operational and financial performance, including CSR.

Since female directors usually have diverse professional and educational backgrounds and are more participative in decision making processes, companies in emerging markets may diversify their boards by increasing the number of female directors to convey the reflection of different views in decision-making (Mittal, Sinha, & Singh, 2008); Eagly *et al.,* 2003). Thus, we propose the following hypothesis:

Hypothesis 2: Women board membership is positively related to CSR performance.

3.3 Board Cultural Diversity

Cultural diversity among board members embeds different ideas and knowledge domains, in the process of decision-making (Post *et al.,* 2011). Consistent with RBV theory, cultural diversity can be used by a firm as a resource to increase its competitive edge (Fitzsimmons, 2013; Richard, 2000). According to Fitzsimmons (2013, p. 529), each culture brings it its own ethical principles and values. Diverse cultural backgrounds on boards are beneficial to firms in improving CSR performance since it helps the firm better understand the preferences of stakeholders having the same culture (Joseph & Morrison, 1993; Hillman *et al.,* 2002). Also, the cultural diversity impacts the quality of disclosure (Ayuso & Argandoña, 2009).

Cultural diversity is also important since it may improve effective monitoring that would in turn boost governance quality and boardroom deliberations (Gul, Srinidhi, & Ng, 2011). Previous studies (Gul *et al.,* 2011; Adams & Ferreira, 2009; Zhang, 2012) show similar results. Thus, we propose the following hypothesis:

Hypothesis 3: Board cultural diversity is positively related to CSR performance.

3.4 Board Activity

Agency theory explains the positive relationship between board activity and CSR, suggesting that meeting more frequently is in the interest of stakeholders and would reduce agency costs (Lipton & Lorsch, 1992). Boards that meet more frequently increase ability to evaluate and advise management, and thus improve corporate performance (Chou, Chung, & Yin, 2013). This is also the case for CSR performance. A board meeting is the main mechanism that executives use to jointly determine the firm direction, work out any problem, take strategic actions, review the performance and provide supervision to company's operations. As CSR performance is becoming

one way of quantifying company performance, CSR matters are expected to be addressed with more board meetings. Therefore, we propose the following hypothesis:

Hypothesis 4: Frequency of board meetings is positively related to CSR performance

3.5 Board Members Compensation

Barnea and Rubin (2010) used Jensen and Meckling's (1976) agency theory, to show that CSR engagement is a principal–agent relation between shareholders and managers. They contend that insider executives overinvest in CSR since it offers private benefits such as forming a reputation of being good social citizens, but may come at a price to shareholders. Milbourn (2003) found that stock-based compensation and CEO reputation are positively related after controlling for industry effects and several firm characteristics. This reputation may create better career opportunities and increase the bargaining power, giving them the ability to ask for a better compensation. If board executives are likely to overinvest in CSR to build their reputations, then we would expect a positive association between board members' compensation and CSR. Thus, we propose the following hypothesis:

Hypothesis 5: Board members' compensation is positively related with CSR performance

Table 3.1. Summary of Hypotheses

Theory	Determinant	Hypothesis	Expected Sign
Stakeholder	Independent board members	H1	+
Resource dependence	Female board members	H2	+
Resource based view	Culturally diversity	H3	+
Agency	Board meetings	H4	+
Agency	Directors' compensation	H5	+

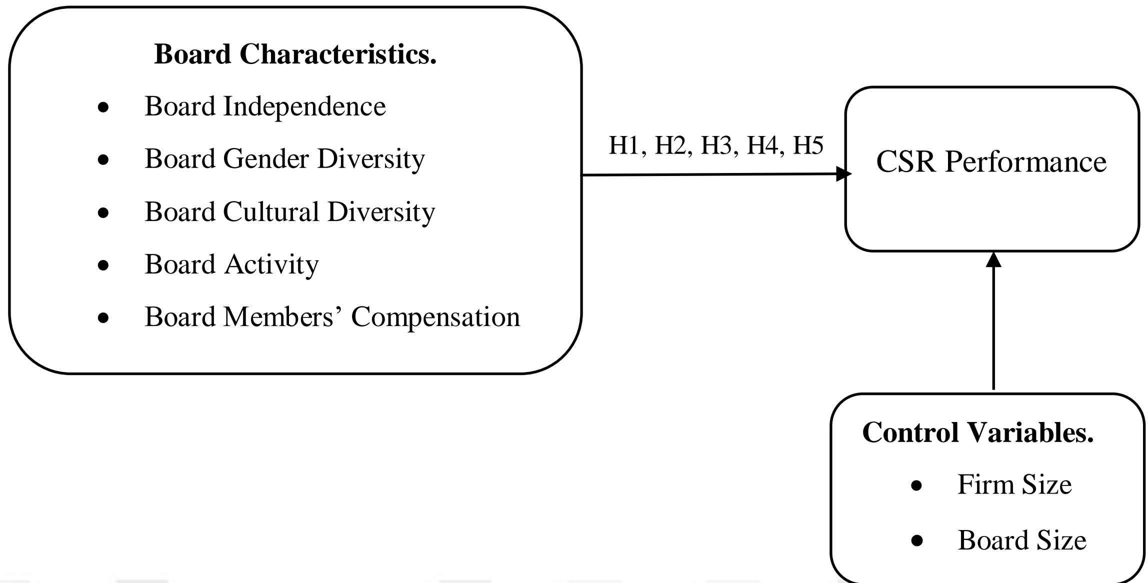

Figure 3.1 Conceptual framework for the study

CHAPTER IV
DATA AND METHODOLOGY

This chapter presents the data sources and a description of the CSR measures incorporated in this study and discusses the dependent, independent and control variables. Then, it provides the models.

4.1. Data Source

We obtained the data for this study from Thomson Reuters Eikon database. We collected the data on CSR performance and board governance characteristics of 7,000 companies globally.

4.1.1. CSR Measures

There are several ways to measure CSR performance. One measure is to evaluate the policies of companies by a reputation index through experts (Peloza, 2009; Orlitzky & Benjamin, 2001). Several independent organisations appraise companies on many different dimensions of CSR performance by assigning scores. For instance, the Morgan Stanley Capital International (MSCI), former Kinder, Lydenberg and Domini (KLD) database, has been used in many studies (e.g. Hull & Rothenberg, 2008;Goss & Roberts, 2011; Dhaliwal, Li, Tsang, & Yang, 2011; Jo & Na, 2012; Marano & Kostova, 2016; Waddock & Graves, 1997; Padgett & Galan, 2010; de Villiers *et al.,* 2011). MSCI assesses the CSR performance of organizations by using surveys, financial statements, media coverage, government records and peer-reviewed publications to test them on 13 dimensions (Goss & Roberts, 2011). The dimensions show strengths and concerns (Goss & Roberts, 2011; Marano & Kostova, 2016).

To measure CSR performance, we used ESG (Environmental, Social and Governance) data from Eikon provided by Refinitiv. ESG Scores from Refinitiv gauge a company's comparative ESG performance in a transparent and objective way by looking at its effectiveness and commitment on 10 main themes i.e. shareholders, human rights, environmental product innovation, emissions, revealed in an organisation's reports. They also give an inclusive ESG Combined (ESGC) Score that is discounted for major ESG controversies that affect the companies. The scores are available for 7,000

businesses worldwide with time series data dating back to 2002. These scores (both in letter grades from D- to A+ and percentages) covered extensively tested against Thomson Reuters Business Classifications (TRBC) for all environmental and social categories, the Controversies Score and against the country for all governance categories. Appendix A shows a summary of how the scores are calculated.

ESG pillar scores summarise a firm's ESG performance in one *Environmental, Social* or *Governance* pillar. The score is calculated from the sum of three to four critical scores in the categories. The *ESG Combined Score* provides a rounded and comprehensive assessment of the ESG performance of a company based on the information reported in the ESG pillars, with *ESG controversies* included in its calculation using controversy overlays captured from global media sources. This score discounts the ESG performance score based on negative media stories by integrating into the *ESG Combined Score* the impact of significant, material *ESG controversies*.[1]

The *ESG Controversies* Category Score is calculated on 23 ESG controversy topics. For instance, if a firm is penalised as a result of a scandal, its ESG Combined Score will be affected. This event may also affect the company in the following year if there are lawsuits, fines or disputes. All media materials are captured while the controversy continues. Controversies score also addresses the market cap bias. Large cap companies are subject to more attention from media than small companies.

We use the *ESG score, ESG Combined Score, ESG Controversies score* and individual *Environmental pillar, Social pillar and Governance pillar scores* as the dependent variables in the models.

4.1.2. Board Governance Measures

We use board governance measures as the independent variables. They include independent board membership, gender diversity, board activity, cultural diversity, and board compensation.

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[1] For more information on Refinitiv's ESG calculation methodology see https://www.refinitiv.com/content/dam/marketing/en_us/documents/fact-sheets/esg-scores-fact-sheet.pdf

We measure *independent board membership* by the percentage of outside board directors on board as employed by previous studies (Ibrahim *et al.,* 2003; Williams, 2003; Zhang, 2012),

Jizi *et al.* (2014), Mackenzie (2007), and Vafeas (1999) used the number of board meetings during the year to measure *board activity* when comparing CSR disclosure to board activities. We adopt the same measure.

We measure *gender diversity* by the percentage of women board members. This is in line with previous studies (García-Sánchez *et al.,* 2014; Jizi, 2017; Zhang, 2012).

Richard (2000) and Haniffa & Cooke (2005) used racial and ethnic diversity to measure board cultural diversity. We measure *board cultural diversity* as the Percentage of board members with a cultural background that is different from the company headquarters location.

Studies that used director compensation as a measure took the yearly wages of the directors as a variable (Deckop *et al.,* 2006; Larcker *et al.,* 2004; McGuire *et al.,* 2003). We also follow the same approach and assess *board members' compensation* by the total compensation of the board members. Table 3 provides the definitions and measurements of all the variables.

4.1.3. Control Variables

We controlled for *firm size* and *board size*. *Company market capitalization* was used as a proxy for firm size. The *Company Market Capitalization* represents the market value of the shares. According to Chang, Oh, Jung, & Lee (2012), higher levels of CSR may be linked to firm size. Other studies have also indicated a positive relationship between the extent of CSR performance and company size (Dalton *et al.,* 1998; Rao & Tilt, 2016; Said, Zainuddin, & Haron, 2009; Veronica Siregar & Bachtiar, 2010)

Board size is measured by the total number of board members at the end of the fiscal year. As larger boards may well have more expertise and knowledge (Dalton, Daily, Johnson, & Ellstrand, 1999), board size may be related to better CSR performance. This is in line with previous studies where board size is used as a variable when studying the relationship between CSR performance and board characteristics (Jizi *et*

al., 2014; Lipton & Lorsch, 1992; Majeed, Aziz, & Saleem, 2015; Veronica Siregar & Bachtiar, 2010).

Table 4.1. Definition of variables

Variable Name	Definition
Independent Variables	
Independent Board Members (IBM)	Percentage of independent board members
Board Activity (BA)	Number of board meetings during the year
Board Gender Diversity (BGD)	Percentage of female on board
Board Cultural Diversity (BCD)	Percentage of board members that have a cultural background different from the location of corporate headquarters
Board Members' Compensation (BMC)	Total compensation of board members
Dependent Variables	
ESG Score (ESGS)	Overall company score based on the self-reported information in the ESG pillars
ESG Combined Score (ESGCS)	Overall company score based on the reported information in the ESG pillars (ESG Score) with an ESG Controversies overlay
ESG Controversies score (ESGCNT)	Measures a company's exposure to ESG controversies and negative events reflected in global media.
Environmental Pillar Score (EPS)	Measures a company's impact on living and non-living natural systems, including the air, land and water, as well as complete ecosystems. It reflects how well a company uses best management practices to avoid environmental risks and capitalize on environmental opportunities in order to generate long term shareholder value.
Social Pillar Score (SPS)	Measures a company's capacity to generate trust and loyalty with its workforce, customers and society, through its use of best management practices. It is a reflection of the company's reputation and the health of its license to operate, which are key factors in determining its ability to generate long term shareholder value.
Governance Pillar Score (GPS)	Measures a company's systems and processes, which ensure that its board members and executives act in the best interests of its long-term shareholders. It reflects a company's capacity, through its use of best management practices, to control its rights and responsibilities through the creation of incentives, checks and balances in order to generate long term shareholder value.
Control Variables	
Company Market Cap (CMC)	Represents the market value of the shares
Board Size (BS)	The total number of board members at the end of the fiscal year

4.2. Sample Selection and Methodology

We download data from 24 countries for a period of 10 years on the MSCI list of emerging markets[2]. The panel consists of 1,191 non-financial companies headquartered in the emerging countries. Thus, there are 11,910 firm-year observations. Table 4 shows the distribution of the companies by country.

Table 4.2. Distribution of companies across countries

Country of Headquarters	No. of Companies
Brazil	68
Chile	34
China	319
Colombia	13
Czech Republic	3
Egypt	5
Greece	17
Hungary	4
India	88
Indonesia	33
South Korea	114
Malaysia	48
Mexico	39
Pakistan	2
Peru	26
Philippines	16
Poland	28
Qatar	8
Russia	39
South Africa	86
Taiwan	119
Thailand	32
Turkey	44
United Arab Emirates	6
Total	**1,191**

Previous studies on CSR have examined different board aspects by using regression analysis models (McGuinness *et al.,* 2017; Bear *et al.,* 2010; Jo & Harjoto, 2011; Zhang, 2012). Regression analysis attempts to use one or more independent variables

[2] MSCI is an independent research firm that designs global equity indexes; in 23 developed and 24 developing markets, the MSCI ACWI Index comprises all sources of equity returns.

to estimate a single dependent variable. Since we have data that includes time-series and cross-sectional elements we will use panel data analysis.

To test how the companies, perform on different ESG criteria, we use the following panel models by employing different ESG scores in each model.

$$ESGCS_{it} = \beta_0 + \beta_1 IBM_{it-1} + \beta_2 BA_{it-1} + \beta_3 BGD_{it-1} + \beta_3 BCD_{it-1} + \beta_5 logBMC_{it-1} + \beta_6 BS_{it-1} + \beta_7 logCMC_{it-1} + U_{it} \quad (1)$$

$$ESGS_{it} = \beta_0 + \beta_1 IBM_{it-1} + \beta_2 BA_{it-1} + \beta_3 BGD_{it-1} + \beta_3 BCD_{it-1} + \beta_5 logBMC_{it-1} + \beta_6 BS_{it-1} + \beta_7 logCMC_{it-1} + U_{it} \quad (2)$$

$$ESGCNT_{it} = \beta_0 + \beta_1 IBM_{it-1} + \beta_2 BA_{it-1} + \beta_3 BGD_{it-1} + \beta_3 BCD_{it-1} + \beta_5 logBMC_{it-1} + \beta_6 BS_{it-1} + \beta_7 logCMC_{it-1} + U_{it} \quad (3)$$

$$EPS_{it} = \beta_0 + \beta_1 IBM_{it-1} + \beta_2 BA_{it-1} + \beta_3 BGD_{it-1} + \beta_3 BCD_{it-1} + \beta_5 logBMC_{it-1} + \beta_6 BS_{it-1} + \beta_7 logCMC_{it-1} + U_{it} \quad (4)$$

$$SPS_{it} = \beta_0 + \beta_1 IBM_{it-1} + \beta_2 BA_{it-1} + \beta_3 BGD_{it-1} + \beta_3 BCD_{it-1} + \beta_5 logBMC_{it-1} + \beta_6 BS_{it-1} + \beta_7 logCMC_{it-1} + U_{it} \quad (5)$$

$$GPS_{it} = \beta_0 + \beta_1 IBM_{it-1} + \beta_2 BA_{it-1} + \beta_3 BGD_{it-1} + \beta_3 BCD_{it-1} + \beta_5 logBMC_{it-1} + \beta_6 BS_{it-1} + \beta_7 logCMC_{it-1} + U_{it} \quad (6)$$

Where

ESGCS is ESG combined score, ESGS is ESG score, ESGCNT is ESG controversies score, EPS is environmental pillar score, SPS is social pillar score, GPS is governance pillar score, ***i*** indexes individual firms and ***t*** time periods. We take the lagged values for the dependent variables since board policy decisions are anticipated to affect the companies in the later years.

We prefer to employ panel data methodology due to a number of reasons:

1. It explicitly takes into account of individual-specific heterogeneity.

2. By combining data in two dimensions, panel methods give more data variation, less collinearity and more degrees of freedom.

3. It is better suited than cross-sectional data for studying the dynamics of change.

4. It is better in detecting and measuring unobservable effects unlike either cross-section or time-series methodology.

5. It enables to study more complex behavioural models – for example the effects of technological change, or economic cycles.

6. It can minimise the effects of aggregation bias, from aggregating firms into broad groups.

CHAPTER V
EMPIRICAL FINDINGS

The results of regression analyses are presented in this chapter. First, we present the descriptive statistics. Then, we examine the correlation coefficients between the variables and provide the regression results. Finally, we discuss the interaction effects.

5.1. Descriptive Statistics

Table 5 summarises the descriptive statistics. The panel contains a maximum of 11,910 firm-year observations across 10 years. Some of the variables, i.e. *board cultural diversity, board activity and board members' compensation* have less observation due to unavailability of data.

The descriptive statistics show that there is a need to logarithmically transform the variables BMC and CMC. These variables have very large figures and they are skewed. Logarithmically converting variables in a regression model is the norm in instances where there is a non-linear relationship between the dependent and independent variables. In using the logarithm of one or more variables, while still maintaining the linear model, we are making the effective relationship non-linear. Logarithmic transformations are also suitable in transforming a highly skewed variable into one that is more normal. This also helps in dealing with outliers. From Table 5 we can see that both BMC and CMC have high standard deviations, showing that there are certain extreme points in the data set. When we take the natural log of a value, we can reduce the variation caused by outliers.

Our panel's ESG performance scores are comparable to CSR performance scores derived from studies held for developed markets. Barnea & Rubin (2010) had similar scores with 3000 US firms. Other studies with similar CSR performance scores include Cho, Lee, & Pfeiffer (2013), Thorne, Mahoney, Gregory, & Convery (2017), Wang, Hsieh, & Sarkis (2018). The average figure for *Board size* in our panel of emerging markets companies is 9. Ning, Davidson, & Wang (2010) found that the average board size for US publicly traded companies ranges from 8 to 11 members. According to a recent study held by Investor Responsibility Research Centre Institute (IRRC) and

Institutional Shareholder Services Inc., board size averages at nine seats in S&P 1500 companies ranging from 11 at large cap to 8 at small cap firms (Lukomnik, 2017).

The average figure for the independent board members in our panel is 40 percent. The average for S&P 1500 companies was 83.3 percent in 2016 (Lukomnik, 2017). This high percent is also found in other studies conducted in developed markets (e.g. Callan & Thomas, 2009; Randøy & Jenssen, 2004; Rao & Tilt, 2016).

An analysis of the 2,765 firms in MSCI's All Country World Index (ACWI) showed that, 20 percent of directors were women in 2019, up from 17.9 percent in 2018 (Emelianova & Milhomem, 2019). The share of board seats held by women in S&P 1500 companies increased up to 17.8 percent in 2016 from 11.9 percent in 2008 (Lukomnik, 2017). A report by the European Union (EU) showed that women in the EU represent only 14 percent of executive boards and supervisory boards of the largest listed companies (Directorate-General for Justice and Consumers (European Commission), 2012). The 10 percent average in our panel shows that emerging markets are far below the global averages and have lower women presence on board than in most of the developed markets. In terms of cultural diversity, the average figure on our panel analysis is similar to developed countries such as the US which has low cultural diversity on their boards (DeHaas, Akutagawa, & Spriggs, 2019). The aforementioned IRRC study found that minority directors filled a little over ten percent of total directorships at S&P 1500 firms (Lukomnik, 2017). Frijns, Dodd, and Cimerova (2016) on a sample of large British firms, found that in 66 percent of the firm-year observations, there was either none or one foreign national on board.

According to a report held on board practices by the Society of Corporate Secretaries and Governance Professionals and the Deloitte LLP Centre for Corporate Governance, most of the boards hold seven or more board meetings in a year (Stuckey & Bujno, 2014). This number is similar to those in other academic papers (Schwartz-Ziv & Weisbach, 2013; Vafeas, 1999). Our panel averages are around the same figure.

Table 5.1. Descriptive Statistics

Variables	Obs	Mean	Median	Std. Dev	Min	Max
ESGCS	11910	42.65293	41.22479	16.78376	6.428368	94.69861
ESGS	11910	45.27741	45.09116	17.80710	6.428368	95.85257
ESGCNT	11910	54.85848	59.48154	15.34934	0.16129	78.57143
EPS	11910	45.26642	43.91233	21.62374	2.539063	98.38336
SPS	11910	44.06954	43.06154	22.81127	2.882629	98.57279
GPS	11910	46.71925	45.79091	21.11549	2.409836	96.72131
BS	11910	9.887093	9	3.413683	1	33
IBM	11910	39.84666	40	17.46306	0	100
BGD	11480	10.35361	8.333333	11.48840	0	85.71429
BCD	3310	24.73794	14.28571	23.40318	3.448276	100
BA	9120	9.827331	8	7.682316	1	15
CMC	11910	7.77E+09	3.42E+09	2.07E+10	1455570	5.69E+11
BMC	8360	6587447	259378	104000000	34455	2.71E+09

5.2. Correlation Analysis

Table 6 shows the Pearson's correlations among the variables. ESGCS is statistically significantly correlated with all independent variables at $p < 0.01$ except for *board activity* (non-significant) and *cultural diversity* (at $p<0.1$). ESGS is statistically significant correlated with all independent variables at $p< 0.01$ except for *cultural diversity* (non-significant) and *board activity* (significant at $p< 0.05$). ESGCNT is statistically significant at $p< 0.01$ with all independent variables except for *gender diversity*. EPS is statistically significant at $p< 0.01$ with all independent variables except for *board activity*. SPS is statistically significant with all independent variables at $p< 0.01$ except *board activity* which is significant at $p< 0.05$. GPS is statistically significant with all independent variables except for *board size* (non-significant) and *board activity* (significant at $p< 0.1$).

The combined score for ESG performance is uncorrelated with board activity. This conflicts with the hypothesis 4 which proposes that more board activity leads to higher CSR performance. Similarly, the ESG controversies score is not correlated with the boards' cultural diversity. On the other hand, in line with the hypotheses 1, 4 and 5, ESG controversies score is negatively correlated with the independent variables IBM, BA and BMC suggesting that companies that have independent boards, well paid

board executives, and that meet frequently may have less controversies. IBM, BGD, BCD and BMC are positively correlated with the individual E, S and G pillar scores in line with the hypotheses 1, 2, 3 and 5. However, board activity did not correlate with the *environmental pillar score* and had a weak positive correlation ($p < 0.1$) with *governance pillar score.*

Since most of the independent variables have high correlations among each other, there is a possibility of having multicollinearity problem. We use variable inflation factor (VIF) and tolerance values to check for multicollinearity. According to Hair, Black, Babin, & Anderson, (2014), a VIF lower than 10 indicates that there is no multicollinearity. As shown in Table 7, all variables are below the cut off value.

Table 5.2. Correlation Matrix

Variables	ESGCS	ESGS	ESGCNT	EPS	SPS	GPS	BS	IBM	BGD	BCD	NBM	log_CMC	log_bMC
ESGCS	1.000												
ESGS	0.907***	1.000											
ESGCNT	0.152***	-0.238***	1.000										
EPS	0.771***	0.863***	-0.237***	1.000									
SPS	0.801***	0.886***	-0.229***	0.726***	1.000								
GPS	0.620***	0.664***	-0.102***	0.331***	0.365***	1.000							
BS	0.157***	0.189***	-0.078***	0.206***	0.219***	0.011	1.000						
IBM	0.203***	0.247***	-0.113***	0.143***	0.196***	0.273***	-0.052***	1.000					
BGD	0.096***	0.090***	0.013	0.028***	0.070***	0.128***	-0.018**	0.079***	1.000				
BCD	0.030*	-0.015	0.074***	-0.089***	-0.038**	0.110***	-0.220***	-0.095***	-0.086***	1.000			
BA	0.013	0.021**	-0.033***	0.005	0.026**	0.018*	0.032***	-0.090***	-0.029***	0.007	1.000		
CMC	0.122***	0.216***	-0.196***	0.213***	0.184***	0.125***	0.182***	0.079***	-0.167***	-0.012	0.039***	1.000	
BMC	0.181***	0.215***	-0.072***	0.144***	0.248***	0.108***	0.129***	-0.015	0.007	0.037*	0.055***	0.055***	1.000

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

Table 5.3. VIF Statistics

Variable	VIF	1/VIF
IBM	1.21	0.828993
BGD	1.12	0.892377
BS	1.11	0.902132
BA	1.11	0.904751
BCD	1.1	0.908977
CMC	1.07	0.937154
BMC	1.06	0.946154
Mean VIF	1.11	

5.3. Regression Analysis

First, to overcome the issues of time fixed effects we created time dummies for each of the 10 years. This eradicates omitted variable bias as a resulting from excluding unobserved variables that evolve over time but are constant across entities. We then included individual fixed effects in the models when running the regressions, this allowed us to eliminate bias from unobservable change which occurs over time but are constant over entities and it controls for factors that differ across entities but are constant over time. This enabled us to carry out one-way panel regressions confidently. To conduct the analysis, we ran random effect and fixed effect panel regression models. We used the Hausman test in determining which regression is more appropriate for our dataset. The null hypothesis of the test is, that the optimal model should be random effects (Greene, 2012). As shown in Table 8, the results are statistically significant at levels $p < 0.01$ for the models where ESGS, ESGCNT, EPS and GPS are the dependent variables, and at $p<0.05$ for ESGCS. Hence, we rejected the null in this case and use the results of the fixed effects regressions. The test was unable to find any conclusive results for SPS before the models were altered by dropping some independent variables. When we dropped some independent variables, the Hausman test showed that a fixed effect model was more appropriate at $p<0.01$ for all the models.

The usual likelihood-ratio test for autocorrelation is not appropriate for panel data, as an iterated generalized least squares (GLS) does not generate maximum likelihood estimates. A test for panel data autocorrelation proposed by Wooldridge (2002) was used instead. Our panel data had a problem of auto-correlation according to this test. The test's null hypothesis is that there is no first order autocorrelation in the data. We reject this hypothesis for most of the models since we find the test to be significant as shown in the Tables 8, 9 and 10. However, this is not an issue since we are working with a micro-panel (Wooldridge, 2002). Additionally, our panel data had a heteroskedasticity problem which is why we did not perform an OLS regression. We used a modified Wald statistic for groupwise heteroskedasticity in the residuals of a fixed effect regression model, following Greene (2012) to test for heteroskedasticity., The null hypothesis of homoskedasticity was rejected, indicating the presence of heteroskedasticity. Cluster-robust variance and covariance estimators were used in accordance with Wooldridge (2002) to resolve the heteroskedasticity problem. The results for the fixed effects models are given in Table 8, 9 and 10.

As stated by Baltagi (2008), cross-sectional dependence could be a problem for macro panels where the time dimensions are large (over 10). Our panel consists of data for only ten years; hence this is not an issue. Thus, we ran the regressions without conducting any tests for cross-sectional dependence.

5.3.1. Board Independence

IBM was statistically significant on all dependent variables in models 1, 2, 5 and 6 at $p < 0.01$ with values of 0.122, 0.106, 0.0963 and 0.181 respectively, except on ESGCNT and EPS in fixed effect model**.** When we remove BCD from the models as shown in Table 9, IBM stays still statistically significant at $p < 0.01$ in models 1, 2, 4,5 and 6 with values of 0.103, 0.0985, 0.0862, 0.0791 and 0.137 respectively. Finally, when we removed both BCD and BA from the models as shown in Table 10, we still find the same significant effect of IBM at $p<0.01$ in models 1, 2, 4, 5 and 6 with values of 0.0895, 0.0887, 0.0789, 0.0627 and 0.132. These results support the first hypothesis and show that board independence significantly affects different types of ESG scores in measuring the CSR performance. This is in line with the findings of the previous studies (Harjoto & Jo, 2011; Ibrahim *et al.,* 2003; Zhang, 2012).

5.3.2. Board Gender Diversity

As shown in Table 8, BGD is statistically significant in models 1 and 5 at $p< 0.1$ and $p< 0.05$ with values of -0.1087 and 0.170 respectively. However, when we removed BCD as shown in Table 9, BGD becomes statistically significant in models 2,3,4 and 6 with values of 0.0938, -0.103, 0.0800 and 0.146 respectively. Finally, when we removed BCD and BA from the models, BGD was still statistically significant in models 2,3,4 and 6 with beta values of 0.0923, -0.0852, 0.0851 and 0.130 respectively. The results support hypothesis 2 and are in line with the findings of other studies (Fernandez-Feijoo, Romera, & Ruiz, 2012; Khan, 2010; Zhang, Zhu, & Ding, 2013).

5.3.3. Board Cultural Diversity

Table 8 shows that the BCD is not statistically significant in any of the models after carrying out fixed effects regressions. Although there seems to be insignificant positive relationship between BCD and different types of ESG scores in measuring CSR performance the results do not support hypothesis 3. This may be due to the low number of observations. Subsequently, we removed BCD from the second set of regression analyses.

5.3.4. Board Activity

The results in Table 8 show that board activity is not statistically significant for any variables that measure CSR performance. Subsequently, we removed BA from the third set of regression analyses. The statistically insignificant figures in models in Table 8 and 9 indicate that board activity and CSR performance might be negatively associated.

5.3.5. Board Members' Compensation

The results for the fifth hypothesis show that BMC is statistically significant and positively associated with ESGS ($p<0.05$, $b= 0.417$), ESGCNT ($p<0.1$, $b= -0.566$), EPS ($p<0.05$, $b= 0.477$) and GPS ($p< 0.1$, $b= 0.529$) in the first round of regressions. When we removed BCD from the models, BMC becomes statistically significant with all variables measuring CSR performance except for *SPS* and *ESG Combined Score*. EPS and GPS are significant at $p< 0.05$ and positively associated with BMC with values of 0.437 and 0.465, while ESGCNT is significant at $p< 0.05$ and negatively associated with BMC with the value of -0.541. ESGS was also significant at $p< 0.01$

with a coefficient of 0.337. Finally, when we removed BCD and BA from the models, BMC becomes positively and statistically significant with ESGS ($p<0.05$, b= 0.347), EPS ($p<0.05$, b= 0.419) and GPS ($p<0.05$, b= 0.478), while it is negatively and significantly associated with ESGCNT ($p<0.05$, b= -0.508). Since BMC is positively associated and statistically significant in most of the models and has a negative significant relation with ESGCNT, the results support hypothesis 5. This complies with the findings of other studies (Baron, 2008; Deckop *et al.,* 2006; McGuire et al., 2003).

5.3.6. Control and Dummy variables.

Based on the results of the final regressions which are in table 10, company size was significant in models 2,3 and 4. We notice that it is positively related with the CSR measures and negatively related with *ESG controversies*. This is consistent with the literature (S. U. Ahmed, Abdullah, & Ahmed, 2017; Dalton et al., 1998; Haniffa & Cooke, 2005; Sarkis & Cordeiro, 2001). We did not find any statistically significant evidence in our models for the control variable of board size. This is in line with the findings of some previous studies (e.g. Young K. Chang et al., 2012; Cheng & Courtenay, 2006; Rao & Tilt, 2016).

The inclusion of lagged variables, firm dummies and year dummies adds to the robustness of the results. The year and firm dummies were there to capture any of the unobservable entity and time fixed effects. It can be seen in the regression tables that most of the time dummies were significant, meaning our results explain the variations in those years. The first and last dummies were omitted because we were using lagged independent variables

Table 5.4. Regression results with all independent variables

VARIABLES	(1) ESGCS	(2) ESGS	(3) ESGCNT	(4) EPS	(5) SPS	(6) GPS
L.IBM	0.122***	0.106***	0.0652	0.0566	0.0963**	0.181***
	(0.0404)	(0.0347)	(0.0563)	(0.0398)	(0.0411)	(0.0463)
L.BGD	-0.108*	-0.0618	-0.124	-0.0880	-0.170**	0.0738
	(0.0632)	(0.0531)	(0.0906)	(0.0671)	(0.0692)	(0.0825)
L.BCD	0.00450	0.0325	-0.0520	0.00436	0.0567	0.0531
	(0.0431)	(0.0369)	(0.0586)	(0.0423)	(0.0476)	(0.0560)
L.BA	-0.0755	-0.0206	-0.111	-0.0692	-0.0318	0.0327
	(0.0936)	(0.0869)	(0.173)	(0.0848)	(0.151)	(0.143)
L.log BMC	0.102	0.417**	-0.566*	0.477**	0.223	0.529*
	(0.245)	(0.176)	(0.339)	(0.231)	(0.219)	(0.278)
L.BS	0.309	0.122	0.216	0.174	0.324	-0.0466
	(0.234)	(0.198)	(0.353)	(0.274)	(0.245)	(0.302)
L.log CMC	0.212	0.445	-0.439	0.832	0.449	-0.0376
	(0.627)	(0.584)	(0.963)	(0.700)	(0.897)	(0.519)
o. Dummy1	-	-	-	-	-	-
Dummy2	3.586***	8.380***	-8.356***	12.74***	10.10***	-1.554
	(1.081)	(0.790)	(1.528)	(1.020)	(1.114)	(1.282)
Dummy3	4.351***	8.770***	-7.465***	12.76***	10.76***	-1.568
	(1.157)	(0.875)	(1.695)	(1.090)	(1.153)	(1.314)
Dummy4	3.770***	7.538***	-6.864***	11.83***	9.686***	0.164
	(1.136)	(0.874)	(1.634)	(1.103)	(1.169)	(1.271)
Dummy5	3.323***	7.291***	-7.486***	10.67***	-.709***	-0.801
	(1.109)	(0.827)	(1.663)	(1.051)	(1.092)	(1.219)
Dummy6	2.847***	6.170***	-7.250***	9.830***	8.672***	0.733
	(1.041)	(0.760)	(1.522)	(1.001)	(1.086)	(1.073)
Dummy7	0.126	4.171***	-6.164***	6.817***	6.289***	1.170
	(1.120)	(0.724)	(1.695)	(0.905)	(1.038)	(1.009)
Dummy8	1.614	1.609***	-3.823**	3.065***	2.080***	0.548
	(1.051)	(0.539)	(1.716)	(0.709)	(0.784)	(0.906)
Dummy9	1.607*	-0.394	-1.856	-0.962*	-0.648	0.533
	(0.920)	(0.383)	(1.643)	(0.530)	(0.593)	(0.744)
o. Dummy10	-	-	-	-	-	-
Constant	37.56**	37.51***	61.62***	31.88*	41.42*	39.18***
	(14.96)	(14.06)	(22.58)	(16.68)	(21.40)	(13.49)
Observations	2,168	2,168	2,168	2,168	2,168	2,168
R-squared	0.062	0.213	0.038	0.240	0.175	0.034
Hausman's test	15.68**	60.90***	42.70***	74.63***		11.38
Autocorrelation test	264.22***	17.569***	0.543	343.44***	240.315***	113.079***
Heteroskedasticity test	2985.579***	202.746***	300.05***	192.68***	180.52***	115.70***
Number of id	241	241	241	241	241	241

Robust standard errors in parentheses

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

Note: Firm dummies were included in all regressions

Table 5.5. Regression results without BCD

VARIABLES	(1) ESGCS	(2) ESGS	(3) ESGCNT	(4) EPS	(5) SPS	(6) GPS
L.IBM	0.103***	0.0985***	0.0126	0.0862***	0.0791***	0.137***
	(0.0254)	(0.0225)	(0.0327)	(0.0276)	(0.0284)	(0.0281)
L.BGD	0.0481	0.0938***	-0.103**	0.0800*	0.0554	0.146***
	(0.0405)	(0.0346)	(0.0519)	(0.0459)	(0.0473)	(0.0493)
L.BA	0.0695	0.0472	0.0899	0.0464	0.0104	0.0836
	(0.0601)	(0.0570)	(0.109)	(0.0610)	(0.0945)	(0.0860)
L.log BMC	-0.00909	0.337***	-0.577**	0.437**	0.106	0.465**
	(0.174)	(0.128)	(0.255)	(0.171)	(0.167)	(0.197)
L.BS	-0.0126	-0.0322	-0.0321	0.000405	0.122	-0.195
	(0.144)	(0.122)	(0.208)	(0.172)	(0.156)	(0.173)
L.log CMC	-0.398	0.595**	0.582	0.825**	0.612*	-0.311
	(0.266)	(0.256)	(0.364)	(0.344)	(0.365)	(0.257)
o. Dummy1	-	-	-	-	-	-
Dummy2	3.894***	6.853***	-5.089***	9.775***	7.974***	2.322***
	(0.507)	(0.406)	(0.697)	(0.538)	(0.536)	(0.589)
Dummy3	4.144***	6.908***	-4.813***	9.903***	8.426***	1.684***
	(0.566)	(0.450)	(0.776)	(0.585)	(0.585)	(0.615)
Dummy4	3.661***	6.215***	-4.728***	9.269***	7.856***	-0.784
	(0.537)	(0.436)	(0.746)	(0.570)	(0.562)	(0.586)
Dummy5	3.715***	6.142***	-4.738***	8.895***	7.762***	1.230**
	(0.529)	(0.425)	(0.743)	(0.549)	(0.552)	(0.580)
Dummy6	3.493***	5.464***	-4.111***	8.179***	7.042***	-0.641
	(0.500)	(0.396)	(0.730)	(0.523)	(0.541)	(0.526)
Dummy7	1.617***	4.156***	-3.505***	6.043***	5.502***	-0.523
	(0.515)	(0.372)	(0.768)	(0.480)	(0.514)	(0.487)
Dummy8	1.101**	2.445***	-0.487	3.088***	2.904***	1.215***
	(0.488)	(0.298)	(0.801)	(0.377)	(0.391)	(0.462)
Dummy9	0.166	1.323***	-0.699	1.626***	1.431***	0.873**
	(0.449)	(0.241)	(0.797)	(0.306)	(0.329)	(0.441)
o. Dummy10	-	-	-	-	-	-
Constant	50.07***	55.16***	45.67***	60.37***	58.44***	45.28***
	(6.783)	(6.315)	(9.293)	(8.301)	(8.920)	(7.139)
Observations	6,846	6,846	6,846	6,846	6,846	6,846
R-squared	0.054	0.173	0.029	0.191	0.135	0.027
Hausman's test	64.44***	154.01***	93.31***	132.64***	161.02***	52.32***
Autocorrelation test	34.693**	418.714***	0.129	538.702***	378.968***	232.115***
Heteroskedasticity test	230.005***	2478.455***	100.06***	2400.05***	2000.05***	1200.05***
Number of id	761	761	761	761	761	761

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Note: Firm dummies were included in all regressions

Table 5.6. Regression results without BCD and BA

VARIABLES	(1) ESGCS	(2) ESGS	(3) ESGCNT	(4) EPS	(5) SPS	(6) GPS
L.IBM	0.0895***	0.0887***	0.0160	0.0789***	0.0627**	0.132***
	(0.0232)	(0.0209)	(0.0293)	(0.0256)	(0.0259)	(0.0257)
L.BGD	0.0538	0.0923***	-0.0852*	0.0851**	0.0596	0.130***
	(0.0382)	(0.0327)	(0.0495)	(0.0432)	(0.0450)	(0.0471)
L.log BMC	0.0559	0.347**	-0.508**	0.419**	0.146	0.478**
	(0.178)	(0.143)	(0.224)	(0.178)	(0.171)	(0.198)
L.BS	0.00758	0.00419	-0.0567	0.0437	0.180	-0.195
	(0.136)	(0.116)	(0.190)	(0.162)	(0.150)	(0.163)
L.log CMC	-0.319	0.547**	-0.643*	0.762**	0.543	0.304
	(0.249)	(0.242)	(0.340)	(0.328)	(0.344)	(0.244)
o. Dummy1	-	-	-	-	-	-
Dummy2	3.905***	6.899***	-5.213***	9.757***	8.026***	2.427***
	(0.484)	(0.397)	(0.659)	(0.522)	(0.520)	(0.564)
Dummy3	4.221***	7.025***	-4.966***	9.907***	8.540***	1.938***
	(0.538)	(0.437)	(0.727)	(0.562)	(0.564)	(0.583)
Dummy4	3.713***	6.361***	-4.964***	9.280***	7.937***	1.164**
	(0.512)	(0.422)	(0.702)	(0.547)	(0.543)	(0.559)
Dummy5	3.727***	6.213***	-4.872***	8.871***	7.746***	1.504***
	(0.506)	(0.411)	(0.699)	(0.524)	(0.533)	(0.552)
Dummy6	3.466***	5.548***	-4.309***	8.129***	7.058***	0.948*
	(0.477)	(0.381)	(0.687)	(0.496)	(0.520)	(0.506)
Dummy7	1.634***	4.227***	-3.525***	5.923***	5.565***	0.811*
	(0.491)	(0.357)	(0.734)	(0.452)	(0.493)	(0.477)
Dummy8	1.150**	2.542***	-0.726	3.081***	3.120***	1.288***
	(0.463)	(0.287)	(0.756)	(0.355)	(0.383)	(0.440)
Dummy9	0.171	1.368***	-0.904	1.569***	1.550***	0.947**
	(0.428)	(0.234)	(0.755)	(0.290)	(0.321)	(0.421)
o. Dummy10	-	-	-	-	-	-
Constant	48.07***	54.05***	44.20***	59.07***	56.04***	45.84***
	(6.328)	(6.035)	(8.553)	(8.019)	(8.489)	(6.553)
Observations	7,494	7,494	7,494	7,494	7,494	7,494
R-squared	0.054	0.172	0.030	0.191	0.133	0.026
Hausman's test	75.11***	181.28***	121.03***	146.60***	181.68***	58.26***
Autocorrelation test	35.083***	445.354***	0.118***	582.062***	403.942***	247.451***
Heteroskedasticity test	27000***	33357.52***	9600.05***	30000***	26000***	16000***
Number of id	833	833	833	833	833	833

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Note: Firm dummies were included in all regressions

Table 5.7. Summary of findings on hypotheses

Hypothesis	Variable name	Expected sign	Actual sign	Level of support
Hypothesis 1: Board independence is positively related to CSR performance	IBM	(+)	(+)	Supported
Hypothesis 2: Women presence on board is positively related to CSR performance	BGD	(+)	(+)	Supported
Hypothesis 3: Board cultural diversity is positively related to CSR performance	BCD	(+)	none	Not supported
Hypothesis 4: Frequency of board meetings is positively related to CSR performance	BA	(+)	none	Not supported
Hypothesis 5: Board executives' compensation is positively related with CSR performance	BMC	(+)	(+)	Supported
Control Variables				
Board size	BS	(+)	none	
Firm size	CMC	(+)	(+)	Supported

CHAPTER VI
CONCLUSIONS AND DISCUSSIONS

Corporate Social Responsibility is a way to measure the sustainability performance of companies. They engage in CSR activities to ensure legitimacy, improve reputation, increase brand value and sales (Fombrun, 2006; Sarkis & Cordeiro, 2001) and meet the expectation of stakeholders (Nelling & Webb, 2009). These factors help companies in emerging markets to compete in local and global markets.

This study investigates the relationship between the CSR performance and board characteristics of 1,191 non-financial companies headquartered in 23 emerging markets over the period of 2010-2019. We mainly used data from Thomson Reuters' Eikon database and employed fixed effects panel regression. Our analyses used six different measures of CSR performance based on different ESG criteria. We look at firm's responsiveness to Environmental, Social and Governance issues separately. We also took ESG controversies scores to elaborate on how the media perceive the companies. Since CSR is a complex and multidimensional issue, using different CSR measures helps in triangulation i.e. application and combination of different research methods to investigate the same phenomenon (Graves & Waddock, 1994; Carroll, 1994), which is another contribution that this study makes to the empirical analysis of CSR performance.

Our approach differs from prior studies that concentrate only on specific areas of CSR like charitable giving, green issues or CSR disclosure in annual reports (e.g. Ben-Amar, Chang, & McIlkenny, 2017; Haniffa & Cooke, 2005; Post et al., 2011; Katmon *et al.,* 2019; J. Wang & Coffey, 1992). We use a large sample of 1191 firms across 23 emerging countries compared to previous studies that use smaller samples (e.g Hafsi & Turgut, 2013; Bear *et al.,* 2010; Oh *et al.,* 2011). Thus, the study represents large-scale analyses of outside directors, women presence on board and board members compensation to CSR performance, providing new insights to decision makers.

The results show that there is a positive and significant association between the number of independent board members and CSR performance, suggesting that firms with more independent board members engage in more CSR activities. This is consistent with the

findings of previous studies (García-Sánchez *et al.,* 2014; Harjoto & Jo, 2011; Ibrahim & Angelidis, 1995; Wang & Dewhirst, 1992;Johnson & Greening, 1999; Ibrahim *et al.,* 2003). Further, the results reveal that the presence of women on board (Bear *et al.,* 2010; Frias-Aceituno et al., 2013; Ben-Amar et al., 2017; Bilimoria, 2000; Williams, 2003; J. Q. Zhang et al., 2013) and better board members' compensation (Gomez-mejia & Berrone, 2009; Hong et al., 2016; L. S. Mahoney & Thorne, 2005) positively influence CSR performance in emerging markets. This is not surprising since female board members have different approaches, experiences and sensitivity than male directors in handling CSR activities. However, we found no conclusive support for the effect of board cultural diversity and board activity on CSR performance.

6.1 Theoretical Implications

Stakeholder theory posits that board independence decreases conflict of interests among stakeholders leading to better firm performance (Cheng & Courtenay, 2006). As a consequence, CSR activities are expected to increase. RDT and agency theory also offer similar explanations for the relationship of board gender diversity and board members' compensation and CSR. Female board members bring different perspectives and experiences and improves decision making in CSR matters (Pfeffer & Salancik, 1978). Agency theory suggests that directors could use CSR to build their reputation but this may deepen the principal-agent conflict (Barnea & Rubin, 2010). However, this explanation may not be true in emerging markets. Companies could engage CSR to improve the firm's reputation (as well as their own) to be more competitive. Thus, we suggest that organisational legitimacy is a factor to execute CSR activities.

Based on stakeholder, RDT and agency theories, we can claim that outside directors, women board members and better remunerated executives contribute to effective stakeholder management. This helps foster legitimacy of the company. On the other side, based on the sociological dimension of institutional theory, companies in emerging markets behave similar to the companies in developed markets in executing CSR activities due to international institutional pressures. Although there are studies on the effect of organisational legitimacy theory on CSR (G. Palazzo & Scherer, 2008; Guido Palazzo & Scherer, 2006; Scherer & Palazzo, 2011), linking moral legitimacy and the sociological dimension of institution theory is unique for our study. As the world becomes more interdependent stakeholders can influence companies more

easily pushing them to seek international legitimacy. One way of doing this is engaging CSR activities. Our research makes a significant contribution on this perspective and offers valuable insights.

6.2 Managerial Implications

Our study has significant implications for businesses and policy-makers. Companies should compose their boards from people having different background, professional experiences and abilities to fairly reflect the expectations of the stakeholders. Thus, the companies that fail to meet stakeholder demands may end up damaging the reputation of the company and reducing moral legitimacy in the operating environment (J. Q. Zhang et al., 2013). In this frame, the presence of independent, gender diverse and well-paid board members can enhance the CSR performance, improve corporate reputation and financial performance (Fombrun, 2006). Although this study did not find board cultural diversity and board activity to be significantly associated with CSR performance, this does not reduce their importance on CSR performance.

6.3 Limitations and Future Research

As with all studies, this study has some limitations, which may provide meaningful directions for future research on board attributes and CSR performance. First, our results are limited by data availability on several board characteristics. Second, political institutions that may have strong influence on the companies in emerging economies is not controlled in this study. Third, a board member's gender and being an independent board member are not always mutually exclusive, these two variables may overlap. Finally, this study analyses the effect of board attributes on emerging markets. Future studies could extend the coverage and may compare the CSR performance of companies in emerging markets and developed markets and may even elaborate on the CSR performance in different industries in emerging markets.

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APPENDIX

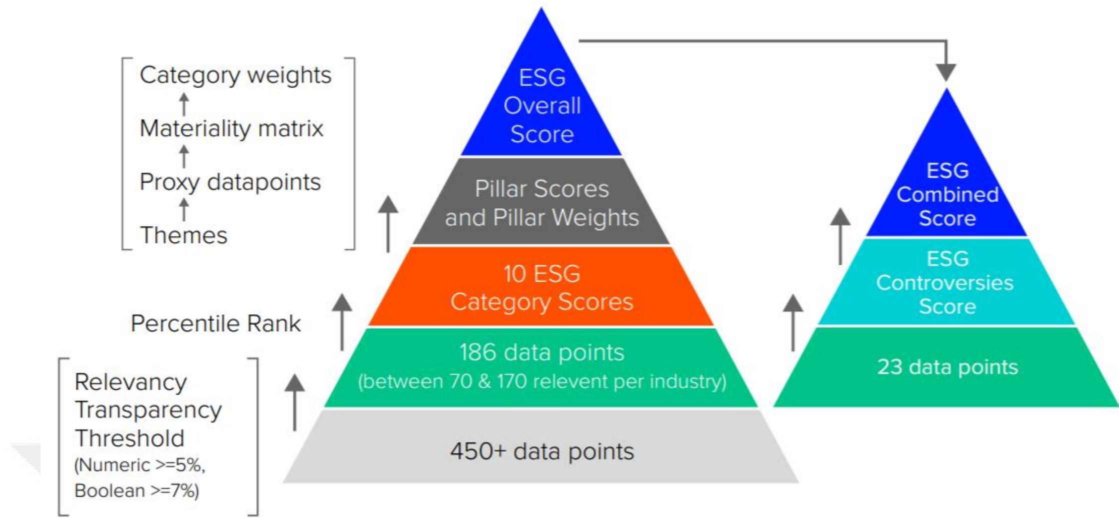

Figure A.1. A Summary of ESG Scoring Methodology

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