

**GOVERNING CORPORATE SOCIAL RESPONSIBILITY  
DECOUPLING: THE EFFECT OF THE GOVERNANCE  
COMMITTEE ON CORPORATE SOCIAL RESPONSIBILITY  
DECOUPLING**

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**Abstract:**

This paper presents an examination of the relationship between the presence and composition of a corporate social responsibility (CSR) committee on the corporate governance board and CSR decoupling. Using a sample of listed firms drawn from 41 countries, we found that the presence of a CSR committee on the corporate board is negatively associated with CSR decoupling. We also noted that the nature of the industry to which a firm belongs, a firm's level of CSR orientation, and corporate governance quality strengthen such association. Further analysis of the relationship between the structure of the CSR committee and CSR decoupling shows that larger CSR committee size and a greater independence and longer tenure of its members negatively affect CSR decoupling. Our results are robust to various alternative specifications and offer important research and managerial implications. The findings of this study contribute to the growing literature on corporate governance and CSR.

**Keywords:** Corporate Social Responsibility, CSR Decoupling, Corporate Governance, CSR Committee, Committee Size, Gender Diversity, Independence, Agency Theory

## INTRODUCTION

Firms of various sizes face increasing pressures, both direct and indirect, from diverse stakeholders to behave responsibly and achieve broader societal goals beyond the financial and legal requirements (Perez-Batres *et al.*, 2012; Aguilera *et al.*, 2007; Mohan, 2006). Firms should consider the impact of their operations on society and on stakeholders' interests to legitimize their activities, gain support from a range of stakeholders, and guarantee their own survival (Hussain *et al.*, 2021). Firms engage in corporate social responsibility (CSR) activities to establish their own legitimacy and improve their relationships with stakeholders (Khan *et al.*, 2015; Porter & Kramer, 2011). However, in practice, managers do not necessarily behave in accordance with their firms' stakeholders' expectations (García-Sánchez *et al.*, 2021a). Corporate managers create CSR-related facades and take symbolic measures to misrepresent their firms' actual CSR engagement (Cho *et al.*, 2015). CSR decoupling refers to the gap that is created between CSR disclosure and actual CSR performance, a managerial practice that has been widely criticized in the literature (Tashman *et al.*, 2019; Marquis *et al.*, 2016; Delmas & Burbano, 2011). In such a context, scholars are now paying greater attention to understanding CSR decoupling by looking at the external and internal monitoring mechanisms (cf. Luo *et al.*, 2017; Kim & Lyon, 2014; Jamali, 2010; Sauerwald & Su, 2019).

Although the extant scholarship on CSR decoupling has provided essential insights, there is a lack of research on the determinants of the related practices enacted by firms operating in diverse institutional settings. Bearing this void in mind and grounding our investigation in the literature on the role played by corporate governance in ethical firm behaviors (Hussain *et al.*, 2018; Tang *et al.*, 2015; Walls *et al.* 2012), we postulated that the installation of a specialized CSR committee improves the alignment between CSR related disclosure and actual CSR performance. The CSR committee mainly drives the governance effects by acting as a channel suited to monitor managerial discretion on CSR issues (Fu *et al.*, 2020; Sauerwald & Su, 2019). The recent literature shows that both the quality and completeness of corporate CSR disclosures are questionable (Hawn & Ioannou, 2016). Firms either overstate their CSR performance to strengthen their legitimacy (Delmas & Burbano, 2011) or understate their CSR activities in reports to divert attention from any costly related initiatives (Kim & Lyon, 2014). Consequently, a gap is created between CSR disclosure and actual performance (Tashman *et al.*, 2019). More generally, the role played by governance in affecting decoupling is still not completely understood, which represents an important gap given the importance of governance in improving a firm's performance. More specifically, the role played by the CSR committee in affecting such practices is also underexplored in the extant literature. In this paper, we argue

that such committee's role is of particular relevance because, often as a result of managerial self-serving behaviors, decoupling practices are value destroying and hurt a firms' legitimacy (Hawn & Ioannou, 2016).

Some scholarly efforts have already been devoted to understanding the role played by top management teams with CSR-related responsibilities in promoting socially responsible corporate behaviors (Strand, 2014). It is becoming a common practice for large corporations to install governance committees tasked with overseeing their CSR-related corporate practices (Fu *et al.*, 2020). While some researchers have noted that the ways in which chief sustainability officers (CSO) affect firms' CSR engagement is sometimes unclear (Miller & Serafiem, 2014), others have found that firms may engage in CSR-related governance merely to conform to socially desirable behaviors (Peters & Romi, 2014). On the other hand, Fu *et al.* (2020) noted that, among the S&P 500 firms, the appointment of a CSO significantly improves CSR performance. However, their evidence was limited to firms operating in the United States, where stringent laws and regulations are in place. As the CSR-related drive is global, drawing global evidence from a large sample of firms is clearly required in order to gain a more fine-grained understanding of this topic. Moreover, there is a dearth of research on how the existence and structure of a CSR governance committee affect a firm's CSR-related policies. Therefore, the primary aim of this study was to examine the link between a CSR committee's existence and CSR decoupling across different institutional settings.

Boards of directors are responsible for implementing their firms' CSR strategies, and corporate governance mechanisms play an essential role in managing CSR (Hussain *et al.*, 2018). Boards are increasingly addressing social and environmental issues by setting up specialized committees (Dixon- Fowler *et al.*, 2017). Board effectiveness is expected to increase through the delegation of tasks to board sub-committees, which consist of fewer decision-makers and focus on specific aspects of governance (Spira & Bender, 2004; Van den Berghe & Levrau, 2004). In this context, the CSR governance sub-committee plays a vital role in formulating environmental and social policies and implementing CSR initiatives (Dixon- Fowler *et al.*, 2017). However, anecdotal evidence on the role played by such committee suggests that a company may establish it solely for symbolic and window-dressing purposes, to improve its public image (Peters & Romi, 2014).

Thus, the mere existence of a CSR committee may not be sufficient to improve CSR performance, and the characteristics and the structure of such a committee should be considered in relation to its effectiveness in improving CSR transparency (Eberhardt-Toth, 2017; Liao *et al.*, 2015). Therefore, in this study, we also examined several characteristics of the CSR

committee in relation to CSR decoupling. The existing evidence has been found to confirm the presence of significant CSR decoupling among the disclosures made by large firms and their actual performance (Hawn & Ioannou, 2016); however, little theoretical and empirical analysis of the factors that affect CSR decoupling has been performed (Graafland & Smid, 2019; Sauerwald & Su, 2019). The study of these relationships is important because stakeholders expect companies to be accountable and transparent, and corporate boards are responsible for helping firms meet their stakeholders' expectations and demands for business prosperity.

Additionally, the existing research concerning corporate governance and CSR-related disclosure is in a fragmented state (García-Sánchez *et al.*, 2021b). A possible reason for this is that, due to the mandatory nature of CSR reporting found across many parts of the world, firms may create CSR-related facades (García-Sánchez *et al.*, 2021a). To fill this gap in the literature, as discussed above, and provide a more nuanced understanding of the relationship between CSR-oriented governance and actual CSR engagement (i.e., *lower CSR decoupling*), we used a sample of listed firms drawn from 41 countries. We found that a CSR committee's presence is negatively associated with CSR decoupling. Further analysis was found to show that the nature of the industry to which a firm belongs and a firm's level of CSR orientation and corporate governance quality strengthen the relationship between the existence of a CSR committee and CSR decoupling. Furthermore, we noted that larger committees and greater independence and longer tenure of committee members negatively affect CSR decoupling.

By studying the relationship between corporate governance and CSR, this study contributes to the literature on corporate governance and CSR decoupling in several important ways. First, it enhances our understanding of this under-explored governance mechanism increasingly used by companies to respond to CSR-related pressures (Fu *et al.*, 2020). Second, it contributes to the limited empirical evidence pertaining to the determinants of CSR decoupling (Delmas & Burbano, 2011; Sauerwald & Su, 2019; García-Sánchez *et al.*, 2021a). Our findings evidence that the CSR committee is an essential channel through which the board monitors corporate CSR strategy. Hence, from a theoretical standpoint, this study contributes to agency theory. It shows that, when the resources of corporate boards are utilized effectively, corporate transparency related to CSR is improved. This also suggests that the CSR committee is a vital tool to reduce agency conflicts and align the interests of managers and shareholders. Therefore, this study is of prescriptive value for corporate boards seeking to align their firms' CSR disclosure and CSR performance. The findings presented in this study have some important practical implications for the design and configuration of a CSR committee. Finally,

ours is among the pioneering studies showing how various structural aspects of the CSR committee are linked to the disclosure-performance gap.

The remainder of this paper is organized as follows. In the next section, we review the prior literature on corporate governance and CSR nexus and present our hypotheses. Then, we discuss our empirical methodology and present results in the succeeding section. In the final section of the paper, we discuss the results and conclusions.

## **PRIOR LITERATURE AND HYPOTHESES DEVELOPMENT**

### ***CSR Decoupling***

Given the vital role played by firms in society, CSR has become an issue of interest to the public, corporate management, and academics. The extant scholarship suggests that firms undertake CSR activities to improve their relationship with their stakeholders (e.g., Porter & Kramer, 2011). In such a context, companies have become accountable to a broader audience for both their financial and nonfinancial performance (Fernández-Gago *et al.*, 2018). This has caused corporate sustainability reporting to become more commonplace because stakeholders expect companies to be transparent regarding their social and environmental impacts (Boiral, 2013; Cho *et al.*, 2015). However, the quality and completeness of such disclosures have been questioned (Adams, 2004; Patten, 2012), and corporate transparency is often dubious (Boiral, 2013). Although Christensen *et al.* (2013) suggested that merely communicating about CSR as an aspiration is an essential step towards social change, which can lead organizations toward CSR improvements, most of the extant literature views such decoupled CSR disclosures as problematic. On the one hand, society's ability to hold corporations accountable for their impacts on society is impaired when they do not provide transparent and complete accounts of their CSR initiatives (Jamali, 2010, Cho *et al.*, 2015). On the other hand, companies risk damaging their legitimacy when any CSR decoupling is detected (MacLean & Behnam, 2010; Tashman *et al.*, 2019), which will likely have an adverse effect on their market value (Hawn & Ioannou, 2016); this makes CSR decoupling an agency problem (García-Sánchez *et al.*, 2021b).

### ***CSR committee and CSR decoupling***

Agency theory is prominently used to explain the role played by corporate governance and to understand the principal-agent relationship. The theory suggests that managers (agents) act opportunistically by indulging in self-serving activities without caring for investors or shareholders (principals), who look for financial gains (Hussain *et al.*, 2021). Hence the theory points to the divergent interests of principals and agents (Jensen & Meckling, 1976). To gain

control, shareholders elect corporate boards (Klettner, 2021). The primary goal of installing a board of directors is to curb any managerial opportunism and align the objectives of principals and agents (Jain & Zaman, 2020). Therefore, effective corporate governance has the potential to reduce agency costs (Dalton *et al.*, 2007; Eisenhardt, 1989). Although other theories are also used in the CG literature, agency theory is the most relevant to understanding the monitoring role played by the board of directors (for the review, see Hussain *et al.*, 2021). The extant literature shows that CSR decoupling is a corporate practice that destroys shareholder value (Hawn & Ioannou, 2016) and may give rise to agency problems (García-Sánchez *et al.*, 2021a). Therefore, the CSR committee, as an effective corporate governance mechanism, reduces CSR decoupling, hence mitigating agency problems.

The proponents of agency theory argue that the allocation of board resources to govern CSR performance makes firms more transparent and responsible (Hussain *et al.*, 2018). However, no explicit empirical evidence is available to validate such claims, as very little is known of the board characteristics and transparency of CSR disclosures (Sauerwald, & Su, 2019). Recent research on the consequences of CSR decoupling shows that it can harm shareholder value (see, e.g., García-Sánchez *et al.*, 2021a; Hawn & Ioannou, 2016) and hurt firm legitimacy (MacLean & Behnam, 2010; Tashman *et al.*, 2019). The disclosure-performance gap is increased due to the self-serving approaches taken by managers when they distort CSR-related information to fulfill their personal objectives (Shahab *et al.*, 2021; Crilly *et al.*, 2012). As a result, agency problems are heightened (Sauerwald & Su, 2019) when value and legitimacy are destroyed due to such opportunistic actions. As one of the main goals of corporate governance is to reduce agency costs, boards perform monitoring and/or advisory functions. More importantly, the monitoring role played by CG restrains managers from being irresponsible or selfish. This is often achieved by boards performing specialized functions; that is, by creating focused committees; for example, by setting up a CSR or sustainability committee to perform oversight duties. In fact, the existence of a sustainability committee strengthens a board's controlling and monitoring capabilities and improves a firm's stakeholder orientation and CSR engagement (McKendall *et al.*, 1999; Hussain *et al.*, 2018).

In the context of agency conflicts, agency perspective can offer the rationale of the underlying relationship between CSR committees and CSR decoupling. Building on the agency theory argument, we postulated that a governance team responsible for CSR related issues can counter a firm's propensity to engage in CSR decoupling. More specifically, we argued that the existence of a CSR committee and its specific characteristics are likely to reduce the degree



of CSR decoupling. Although a CSR committee's presence in relation to CSR decoupling had not hitherto been investigated, the literature on the relationship between the CSR committee and CSR disclosure and performance is abundant. *Table 1(A)* provides an overview of the extant literature on the relationship between the presence of a CSR committee and CSR disclosure or performance. Additionally, *Table 1(B)* provides an overview of the literature on the determinants of CSR decoupling. Our extensive literature review shows a clear void related to board CSR committees and CSR decoupling. This warranted further empirical exploration of the underlying relationship. As CSR decoupling is conceptualized as the gap between CSR reporting and performance, the prior literature was found to show that a CSR committee is associated with improved CSR reporting and performance.

In light of such evidence, it would be reasonable to assume that a CSR committee could monitor managers well and better align a firm's CSR reporting and its CSR performance. The CSR committee could be expected to improve CSR strategy effectiveness, as it could help firms to implement their CSR policies and ensure top management support (Liao *et al.*, 2015; Mackenzie, 2007). Furthermore, sustainability disclosures can be seen to be part of the dialogue between a firm and its stakeholders (Helfaya & Moussa, 2017; Michelon & Parbonetti, 2012) and, as the CSR committee's responsibilities include ensuring the quality of CSR reporting (Mackenzie, 2007), it can be seen as a monitoring device that improves the sustainability information disclosed to stakeholders (Michelon & Parbonetti, 2012).

----- [Please insert Table 1 about here] -----

### ***Research hypotheses***

The board of directors is responsible for setting and implementing corporate strategy. Therefore, it should address social and environmental issues by installing a specialized board committee (Rodrigue *et al.*, 2013; Walls *et al.*, 2012). The establishment of a CSR committee indicates a board's commitment to fostering CSR and transparency (Peters & Romi, 2014) and represents an important channel to monitor CSR-related management behaviors (Rodrigue *et al.*, 2013). The extant literature concerning managerial opportunism and entrenchment shows that managers distort accounting numbers (Gull *et al.*, 2018) and mislead stakeholders in regard to nonfinancial performance (Shahab *et al.*, 2021; Tashman *et al.*, 2018).

Board committees are given specific responsibilities regarding important organizational issues; these involve the monitoring of specific management functions (Dixon-Fowler *et al.*, 2017). The creation of a CSR committee ensures consistency in the implementation of CSR



strategies (Klettner *et al.*, 2014), with its members being responsible for evaluating the company's performance against its strategic CSR vision (Michelon & Parbonetti, 2012). The board members set up the CSR committee, which mostly consists of sustainability experts whose experience, skills, and knowledge is expected to play an essential role in formulating strategies and translating them into tangible actions (Amran *et al.*, 2014).

The members of a CSR committee are internal stakeholders and monitors who are responsible for the integration of CSR policies into organizational processes and for ensuring that managers are held accountable for any implementation issues (Graafland & Smid, 2019; Godos-Díez *et al.*, 2018). In many cases, CSR decoupling can occur unintentionally (Winn & Angell, 2000). If decoupling harms firm value, then it breeds agency problems, with recent research showing that CSR decoupling is detrimental for firms (cf. García-Sánchez *et al.*, 2021a). Therefore, it is reasonable to assume that, under the monitoring of a CSR committee, managers will make decisions in the firm's long-term interest (Godos-Díez *et al.*, 2018). Therefore, in line with the agency argument, we hypothesized the following relationship.

***Hypothesis 1.*** *The presence of a CSR committee is negatively associated with CSR decoupling.*

Prior research on the relationship between a CSR committee and CSR outcomes is inconclusive. The findings of previous empirical studies suggest that a CSR committee's presence is associated with increased social and environmental reporting quality (Amran *et al.*, 2014; Helfaya & Moussa, 2017). Furthermore, there is some empirical evidence supporting the existence of a positive relationship between a governance committee and environmental performance (Dixon-Fowler *et al.*, 2017; Walls *et al.*, 2012) and CSR practices (Spitzeck, 2009). However, Haque and Ntim (2020) noted that the CSR committee is only linked to symbolic environmental performance. These mixed empirical results could be explained by the fact that some firms may establish a CSR committee to merely present themselves as responsible, and not necessarily to improve their actual performance outcomes (Peters & Romi, 2014). Therefore, the structure and composition of such a committee are relevant in considering its meaningfulness and effectiveness (Godos-Díez *et al.*, 2018; Berrone & Gomez-Mejia, 2009).

A board committee's size is associated with its power and effectiveness (Becker-Blease & Irani 2008). Furthermore, a larger committee is likely to improve the board's resource provision role, as a larger number of directors will bring more experience, and a more significant knowledge base will be created (Peters & Romi, 2014; De Villiers *et al.*, 2011). Given the multifaceted nature of CSR, a bigger CSR committee will be able to better monitor

CSR-related managerial activities. This may lead to a greater diversification of expertise and skills (De Villiers *et al.*, 2011; Van den Bergh & Levrain, 2004) and to more links with the external environment, which will encourage the committee to consider the interests of the community and society.

Only a few studies have examined the size of a CSR committee, yielding inconsistent empirical evidence. For example, Peters and Romi (2014) suggested that an environmental committee's size is associated with increased transparency in the disclosure of a firm's greenhouse gas footprint. Similarly, Godos-Díez *et al.* (2018) found a positive and significant relationship between CSR committee size and company CSR engagement. However, Eberhardt-Toth (2017) suggested that larger committees worsen CSR performance. We based our argument on agency theory and expected larger committees to signify their respective boards' commitment to overcoming any agency problem associated with CSR decoupling. Based on the preceding discussion, we suggested that:

***Hypothesis 2. Larger CSR committees are negatively associated with CSR decoupling.***

In the board composition literature, independent directors are viewed as being highly important in relation to CSR (Godos-Díez *et al.*, 2018). Independent directors can be seen as better monitors (Johnson & Greening, 1999; Wang & Dewhirst, 1992) because they tend to be more closely related to stakeholders, to be more conscious of their expectations and needs, and to be more likely to meet their demands (Ibrahim & Angelidis, 1995; Wang & Dewhirst, 1992). Moreover, they may be more concerned with socially responsible behaviors because serving firms that engage in ethical and responsible behavior is likely to enhance their reputations, which may lead to continued director appointments (De Villiers *et al.*, 2011; Fernández-Gago *et al.*, 2018).

Research has shown that external directors have a CSR orientation that differs from that of executive directors; one that helps to broaden the perception of stakeholders' claims and thus increase their salience (Zhang *et al.*, 2013). With their outsider view of the firm, independent directors may be more sensitive than their non-independent counterparts to stakeholder demands. In a similar vein, Sauerwald and Su (2019) argued that independent directors with better expertise are the channel through which a wider variety of stakeholders can monitor top management. This is supported by Eberhardt-Toth (2017), who reported a positive and significant relationship between the proportion of independent directors on a CSR committee and a firm's corporate social performance.

External directors appear to be less focused on economic performance (Ibrahim & Angelidis, 1995) and may thus encourage investments required for long-term sustainability, even if they conflict with any short-term financial goals (Post *et al.*, 2011). Therefore, a CSR committee composed of a larger number of independent directors may be expected to aid the alignment of CSR disclosure with performance. Thus, we hypothesized the following.

***Hypothesis 3.*** *A greater proportion of independent directors on a CSR committee is negatively associated with CSR decoupling.*

Another aspect of a CSR committee's structure is the tenure of the directors that are part of it. A longer tenure results in greater familiarity with the firm's strategic issues and management practices, and in the accumulation of firm-specific knowledge and experience (Patro *et al.*, 2018). Longer tenured directors are probably more effective in advising management in regard to CSR initiatives, as they have developed a deep understanding of the implications of a firm's potential CSR-related actions. On the other hand, the literature also suggests that longer tenures may make directors less effective in monitoring due to the loss of their true sense of independence (Vafeas, 2003). In case of conflict between short-term profitability and long-term CSR investment, longer-tenured independent directors may thus opt for the former (Patro *et al.*, 2018). In such conditions, the likelihood of CSR decoupling may increase. These conflicting pieces of evidence call for future research to be conducted by taking a more refined approach.

The extant research shows that independent directors' tenures affect their monitoring and advising performance. The more time directors spend with a firm, the more they accumulate firm- and management-specific experience and knowledge that helps them better monitor the management (Celikyurt *et al.*, 2014). From a CSR engagement perspective, Harjoto *et al.* (2015) noted that longer tenures help directors foster CSR performance in the firm. Similarly, as directors gain experience and knowledge about firms' CSR practices by being part of CSR committees for extended periods, they can better align CSR disclosure with performance. CSR decoupling is an earnings management-like phenomenon. We thus made the assumption that the long tenure of directors on CSR committees enables them to gain a deeper knowledge of CSR practices and helps them align various CSR practices. Therefore, we hypothesized that:

***Hypothesis 4.*** *Longer CSR committee member tenures are negatively associated with CSR decoupling.*

Gender diversity within boards of directors is a widely discussed issue in the academic literature and has been linked to both financial (Usman *et al.*, 2022; Farooq *et al.*, 2022) and nonfinancial organizational outcomes, including those related to CSR (Hussain *et al.*, 2018; Shahab *et al.*, 2022). Scholars have argued that the presence of women on the board can contribute to more effective monitoring and decision-making concerning CSR because they are more socially oriented than men and tend to consider the interests of a wider range of stakeholders (Burgess & Tharenou 2002; Konrad & Kramer, 2006; Shahab *et al.*, 2022). Moreover, Zhang *et al.* (2013) suggested that female directors may be more sensitive to specific stakeholders' claims because of the psychological characteristics they tend to possess. Relative to their male counterparts, females possess more communal traits (Nadeem *et al.*, 2020). For example, they tend to be more affectionate, helpful, sympathetic, interpersonally sensitive, and concerned about the welfare of others (Eagly *et al.*, 2003). Nielsen and Huse (2010) argued that women's attention and concern for others' needs may lead to their active involvement in strategic issues regarding a firm and its stakeholders. Consequently, the presence of women on a CSR committee—with their generally risk-averse attitude—may improve its ability to deal effectively with issues of corporate social responsibility (Setó-Pamies, 2015; Zhang *et al.*, 2013).

Female directors follow ethical criteria in their decision-making process (Thorne *et al.*, 2003; Usman *et al.*, 2022) and are committed to providing voluntary disclosure of higher quality and superior transparency (García-Sánchez *et al.*, 2019). Furthermore, García-Sánchez *et al.* (2019) argued that gender diversity within a board increases CSR information quality and that, in CSR reporting, a diverse board is less likely to use an optimistic tone that makes it difficult to evaluate the real social and environmental performance of the firm. They suggested that female directors are less likely to engage in impression management strategies concerning CSR reports and that a larger proportion of female directors on the board leads to more balanced, concise, clear, comparable, and reliable CSR information. When women are a minority in a group, their voices and values may not be heard or considered. Research on gender diversity within boards has shown that the risks of tokenism decrease as the number of women on the board increases (Konrad *et al.*, 2008). Thus, prior research suggests that firms with more female directors on their boards tend to act in more socially responsible ways (Post *et al.*, 2015).

To summarize, in the presence of a higher number of female members, a CSR committee's decision-making may be more effective because stakeholders' interests are more likely to be considered. The CSR committee is responsible for a firm's CSR reporting

(Mackenzie, 2007), and increased gender diversity is expected to increase the quality and transparency of such reporting (García-Sánchez *et al.*, 2019). Therefore, a higher proportion of female directors on a CSR committee may improve CSR disclosure and performance. Based on the preceding discussion, we proposed that:

***Hypothesis 5.** A greater proportion of female directors within a CSR committee is negatively associated with CRS decoupling.*

## **METHODOLOGY**

### *Data and sample*

Our initial sample included listed firms drawn from 47 countries over the 2003-2017 period. The data for the variables used in this study came from four sources. Committee details were obtained from the BoardEx database. The committees were selected based on the presence of the following keywords<sup>1</sup> in their names: ‘corporate (social) responsibility’, ‘sustainability’, ‘sustainable development’, ‘safety’, ‘health’, ‘environment’, ‘human resources’, and ‘ethics’. Information about the committee characteristics was also obtained from BoardEx; this included committee size, director gender composition, independence, and tenure. To validate the CSR committee data, we compared the data hand-collected from BoardEx with those provided by Bloomberg and Thomson Reuters’s Asset4 (currently known as Refinitiv EIKON). We deleted any observations that did not match the binary CSR committee variable provided by Bloomberg and Thomson Reuters’s Asset4.

To calculate CSR decoupling, CSR data were retrieved from the Thomson Reuters Asset4 and Bloomberg databases. Finally, firm financial information was extracted from the Worldscope database. Our initial sample consisted of 40,051 firm-year observations. We then excluded any firm-year observations with missing information on the control variables (i.e., 14,383 firm-year observations). Following prior studies based on international samples (e.g., El Ghoul & Zheng, 2016; Saeed *et al.*, 2022), we also excluded from our initial sample small countries with firm-year observations numbering less than 20 (i.e., 39 firm-year observations). Our final sample thus consisted of 25,629 firm-year observations drawn from 41 countries over the 2003-2017 period. Hypothesis 1 was tested using the full sample. However, only a subsample of firm-year observations with a CSR committee could be used to test Hypotheses

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<sup>1</sup> We selected our keyword to search for CSR committee using the BoardEx data dictionary and the glossary of Thomson Reuters’ Asset4 published in 2015. These two sources provide various names for the CSR committee and aspects related to the CSR orientation of the corporate governance board.

2 to 5; this subsample consisted of at least 5,427 firm-year observations suited to analyze CSR committee characteristics.

Table 2 shows the sample distribution by country and year. Our final sample pertained to 41 countries over the years 2003-2017. Panel A of Table 2 shows that 41.74% of our sample firms were from the United States, 11.65% from the United Kingdom, 8.65% from Canada, and 7.51% from Australia. Sample firms from other countries made up less than 5% of our sample. A possible reason for this distribution may have been that the Thomson Reuters Asset4 and Bloomberg databases provide greater coverage of CSR disclosure and performance score for firms operating in the United States, United Kingdom, Canada, and Australia, limiting the provision of such information for other countries to large firms. Looking at Panel B of Table 2, we can observe an increasing trend in the sample year distribution; i.e., that the number of observations gradually increases over the years.

----- [Please insert Table 2 about here] -----

### ***Model and variables***

The presence of a CSR committee was a binary variable that was set to 1 when a sample company had a CSR committee and to 0 otherwise. The size of a CSR committee was measured by means of the number of its members. Committee independence was measured as the proportion of independent directors sitting on the CSR committee. The CSR committee members were characterized as independent directors when they were non-executive directors, as specified in the BoardEx database. Committee tenure was measured as the average number of years the committee members had served on the CSR committee. Finally, CSR committee gender diversity was measured as the proportion of female directors.

In accordance with previous studies on CSR decoupling, the dependent variable was measured as the misalignment between a firm's CSR reporting and its CSR performance (Tashman *et al.*, 2019). CSR reporting was measured using the Bloomberg ESG disclosure score, which consists of three different dimensions: environmental, social, and governance. This score ranges from 0 to 100 and indicates a firm's CSR reporting intensity. The ESG performance score was obtained through Asset4, which incorporates the same dimensions as the Bloomberg disclosure score and is also measured on a scale of 0 to 100. The extent of CSR decoupling for each firm was measured by subtracting the ESG performance score from the

ESG disclosure score.<sup>2</sup> Higher CSR decoupling measure scores indicate greater degrees of misalignment between firm CSR reporting and performance, where a firm’s disclosure efforts exceed its actual performance (Tashman *et al.*, 2019). As misalignment may have occurred in both directions, the dependent variable could also take on negative values (Hawn & Ioannou, 2016).

To test our hypotheses and examine whether the presence of a CSR committee and its characteristics had influenced the level of CSR decoupling, we estimated Equations (1) and (2). We first examined the impact of a CSR committee's existence on the level of CSR decoupling (H1) by using Equation (1). We then examined the influence of CSR committee characteristics on the level of CSR decoupling (H2 to H5) by estimating Equation (2).

$$DECOUPLING_{it} = \beta_0 + \beta_1 CSR\_COM_{it} + \sum_{i=1}^n \beta_n Controls_{it} + \varepsilon_{it} \quad (1)$$

$$DECOUPLING_{it} = \beta_0 + \beta_1 COM\_CHARACTER_{it} + \sum_{i=1}^n \beta_n Controls_{it} + \varepsilon_{it} \quad (2)$$

where *DECOUPLING* represents different proxies of CSR decoupling—namely, CSR gap (*GAP*), CSR sum (*SUM*), CSR negative gap (*NEG\_GAP*), and CSR positive gap (*POS\_GAP*). *CSR\_COM* is a dummy variable that was used to capture the presence or absence of a CSR committee, while *COM\_CHARACTER* represents the different characteristics of the CSR committee—namely, size (*CSR\_COM\_Size*), independence (*CSR\_COM\_Independence*), tenure (*CSR\_COM\_Tenure*), and gender diversity (*CSR\_COM\_Gender*). To test our first hypothesis, we focused on the coefficient  $\beta_1$  of Equation (1). If the presence of a CSR committee was associated with less CSR decoupling, then the coefficient of *CSR\_COM* ( $\beta_1$ ) would have been found to be negative and significant. To test our hypotheses based on CSR committee characteristics (H2 to H5), we focused on the coefficient  $\beta_1$  of Equation (2). If the CSR committee's characteristics had reduced the level of CSR decoupling, then the coefficient on the *COM\_CHARACTER* ( $\beta_1$ ) would have been found to be negative and significant. Additionally, as suggested by existing studies (Hawn & Ioannou, 2016; Tashman *et al.*, 2019; Sauerwald & Su, 2019; García-Sánchez *et al.*, 2021a), we controlled for any variables that may have impacted the level of CSR decoupling. These variables included board size (*BOD\_SIZE*),

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2. The Asset4 ESG performance score is available from 2002, while Bloomberg started providing ESG disclosure score from 2006. We therefore extrapolated the Bloomberg ESG disclosure score for the years 2002-2005 (Amman *et al.*, 2018; Hummel & Schlick, 2016), to ensure the availability of the ESG performance and disclosure score for whole sample period. For Bloomberg’s missing years (i.e., 2002-2005), we ran a linear extrapolation based on following three years’ values for the relevant components of the ESG disclosure score. In those cases in which a firm did not have data for three consecutive years, we considered the following two years’ data values. We performed this extrapolation by using Stata’s ‘ipolate’ command. Our main results were found to hold when we considered the sample period without extrapolation (i.e., 2006-2017). These unreported results are available upon request.



board independence (*BOD\_IND*), board meetings (*BOD\_MEET*), CEO duality (*CEO\_DUAL*), return on assets (*ROA*), organizational slack (*SLACK*), firm size (*SIZE*), an indicator of institutional ownership (*INST\_OWN*), and an indicator of state ownership (*STATE\_OWN*). Finally, to adjust for any variation across countries, time, and industries, we used country, year, and industry dummies. All variables are defined in Appendix 1.

## RESULTS

### *Univariate analysis*

Table 3 reports the summary statistics for all variables—except the country, year, and industry dummies—based on the full sample. Concerning the main variables, the mean value of the CSR gap (*GAP*) was found to be -0.324, which highlights a substantial gap between CSR disclosure and CSR performance. This negative mean value also suggests that, on average, our sample firms understated their CSR performance. Moreover, 26.3% of the firms had a CSR committee (*CSR\_COM*). The mean committee size (*CSR\_COM\_Size*) was found to be 4.623, CSR committees were found to be on average composed of 89.8% independent directors (*CSR\_COM\_Independence*), the mean committee tenure (*CSR\_COM\_Tenure*) was found to be 3.446 years, and the mean proportion of women on the committee (*CSR\_COM\_Gender*) was found to be 26.6%.

----- [Please insert Table 3 about here] -----

Table 4 presents the pairwise correlation matrix results and variance inflation factors. The correlation among all variables was found to be fall under the permissible threshold of  $\leq 0.5$  except that between the presence of a CSR committee (*CSR\_COM*) and its characteristics (*CSR\_COM\_Size*, *CSR\_COM\_Independence*, *CSR\_COM\_Tenure* and *CSR\_COM\_Gender*). Therefore, to avoid multicollinearity, we estimated the regression models separately for the presence of a CSR committee and its characteristics. The variance inflation factors were also found to be below the threshold value of 10, suggesting that multicollinearity did not present a serious problem in interpreting our results (Burke *et al.*, 2019; Tashman *et al.*, 2019).

----- [Please insert Table 4 about here] -----

### *Multivariate analysis*

Table 5 contains the results of the testing of Hypothesis 1. Model 1 estimates Equation 1 by using the CSR gap (*GAP*) as a dependent variable to examine whether the presence of a CSR committee (*CSR\_COM*) is associated with a smaller CSR gap (*GAP*). The coefficient for *CSR\_COM* was found to be negative and significant at the 1% level ( $\beta = -0.006$ ,  $p = 0.000$ ),

suggesting that the presence of a CSR committee reduces the CSR gap (*GAP*), hence supporting Hypothesis 1.

Model 2 estimates Equation 1 using the sum of CSR disclosure score and CSR performance score scaled by the logged value of total assets (*SUM*) as a dependent variable. We performed this analysis to investigate whether the presence of a CSR committee (*CSR\_COM*) affects *SUM*. If CSR committees discharge their duties effectively, then the coefficient for *CSR\_COM* could be expected to be positive and significant. Consistent with our expectations, the results reported in Model 2 show that the coefficient of *CSR\_COM* was found to be positive and significant at the 1% level ( $\beta = 0.082, p = 0.000$ ), suggesting that the presence of a CSR committee positively affects the levels of CSR disclosure and CSR performance.

In addition to OLS, we used Tobit regressions (Brownlees & Engle, 2017) to examine the association between the presence of a CSR committee and CSR decoupling based on the sign of the CSR gap. To apply Tobit regressions, we truncated the CSR gap (*GAP*) at 0, as an upper and a lower limit to check the negative and positive gap, respectively. We then performed Tobit regressions by the sign of the CSR gap to examine whether the presence of a CSR committee (*CSR\_COM*) reduced the CSR gap irrespective of the sign. Models 3 and 4 estimate Equation 1 using negative (*NEG\_GAP*) and positive gap (*POS\_GAP*) as dependent variables. The coefficient of *CSR\_COM* in Models 3 and 4 was found to be negative and significant both at the 1% ( $\beta = -0.018, p = 0.000$ ) and 10% levels ( $\beta = -0.016, p = 0.100$ ),. These results also validate Hypothesis 1 by revealing that, irrespective of the sign, a CSR committee's presence is likely to reduce the CSR gap.

Consistent with an agency perspective, the establishment of a board-level committee assigned with the responsibility of overseeing CSR strategy is an effective governance mechanism to safeguard shareholder value. Similarly, our results indicate that CSR committees effectively monitor CSR related issues and help firm align their CSR performance and CSR disclosures. Finally, these results are in accordance with some prior studies, which report that CSR committees improve the quality of sustainability reporting (Amran *et al.*, 2014) and CSR performance (Dixon-Fowler *et al.*, 2017; Mallin & Michelon, 2011).

----- [Please insert Table 5 about here] -----

Table 6 presents the results of the analyses of the relationship between CSR committee characteristics (*CSR\_COM\_Size*, *CSR\_COM\_Independence*, *CSR\_COM\_Tenure*, and *CSR\_COM\_Gender*) and CSR gap (*GAP*), which were performed to empirically test Hypotheses 2 to 5. These results also provide some interesting insights. First, Model 1 shows

that *CSR\_COM\_Size* was found to be negatively and significantly associated with *GAP* ( $\beta = -0.003, p = 0.000$ ). This confirmed that the CSR gap decreases with an increase in committee size, therefore supporting Hypothesis 2. This finding is consistent with the view that a CSR committee's size signals a firm's commitment to CSR issues (Peters & Romi, 2014). Another explanation may be that larger CSR committees are more effective due to their higher knowledge base and diversified experience (De Villiers *et al.*, 2011), as well as to their representation of more stakeholder groups (Godos-Díez *et al.*, 2018; Van den Berghe & Levrau, 2004).

Second, the results of Model 2 show that *CSR\_COM\_Independence* was found to be negatively and significantly associated with *GAP* ( $\beta = -0.002, p = 0.050$ ). Consistent with the view that independent directors are more concerned about CSR issues (Fernández-Gago *et al.*, 2018; Godos-Díez *et al.*, 2018), this finding suggests that CSR committees with a higher proportion of independent directors are likely to reduce the CSR gap. Hypothesis 3 was therefore supported.

Third, the results of Model 3 show that *CSR\_COM\_Tenure* was also found to be negatively and significantly associated with *GAP* ( $\beta = -0.002, p = 0.000$ ), suggesting that the CSR gap decreases as the tenure of the CSR committee increases. This result validates the findings of Patro *et al.* (2018) at the CSR committee level by providing further evidence that, the longer they serve on CSR committees, directors become more effective because they acquire organization and job-specific expertise. As their average member tenure increases, committees become more likely to effectively manage CSR decoupling, which leads to smaller gaps between CSR disclosure and CSR performance. Therefore, we accepted Hypothesis 4.

Fourth, the results of Model 4 show that *CSR\_COM\_Gender* was found to be positively but non-significantly associated with *GAP* ( $\beta = 0.000, p > 0.100$ ), suggesting that the presence of female directors on CSR committees does not have any effect on the level of CSR decoupling. Hence, Hypothesis 4 was thus not supported by our results. Finally, Model 5 reports the results of the analysis whereby we captured the influence of all CSR committee characteristics (*CSR\_COM\_Size*, *CSR\_COM\_Independence*, *CSR\_COM\_Tenure*, & *CSR\_COM\_Gender*) on the level of CSR decoupling (*GAP*). The results reported in Model 5 are qualitatively similar to those found in Models 1 to 4. This confirms that our findings are not driven by any omitted CSR committee characteristics related to variable bias.

----- [Please insert Table 6 about here] -----

## **ADDITIONAL ANALYSIS**

### ***Controlling for industry nature***

Prior studies show that CSR reporting quality varies significantly across industries, and that industry characteristics influence the ways in which firms report their CSR initiatives; this is because CSR reports are issued to seek legitimization from stakeholders (Jackson & Apostolakou, 2010; Young & Marais, 2012; Hawn & Ioannou, 2016). For instance, firms operating in industries the operations of which negatively impact the environment are likely to disclose and report more information (Tagesson *et al.*, 2009). Likewise, Hawn and Ioannou (2016) showed that, due to the nature of their operations, firms belonging to the natural resources industry are under constant scrutiny and higher pressure from various stakeholders to perform better in terms of CSR; therefore, such firms are likely to decouple their CSR performance, causing negative market reactions.

In line with these conjectures, we argued that the effectiveness of CSR committees may also vary across industries because firms operating in industries prone to managing their own CSR performance may set them up just for the sake of showcasing and to signal stakeholders that they have mechanisms in place to ensure the quality of their CSR reporting (e.g., Berrone & Gomez-Mejia, 2009; Peters & Romi, 2014). To test this argument empirically, we divided our sample into two subsamples—one comprising firms belonging to the natural resources industries, and the other all those in other industries—and re-estimated Equation (1).<sup>3</sup> In line with our expectations, the results—which are reported in Table 7—show that the presence of a CSR committee (*CSR\_COM*) was found to be positively (negatively) associated with the level of CSR decoupling (*GAP*) for the subsample of firms belonging to the natural resources industry (firms from other industries). This suggests that the nature of the industry to which firms belong drives the CSR committee-CSR decoupling relationship.

----- [Please insert Table 7 about here] -----

### ***Controlling for CSR orientation***

Second, we performed a split-sample analysis based on the CSR orientation of our sample firms. We did so because CSR-intensive firms are more likely to establish CSR committees and less likely to decouple their CSR performance. To perform this analysis, we split our sample based on the industry-year average (mean and median) of the Asset4 ESG

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<sup>3</sup> Following Fu et al. (2020), natural resources industries have the following four-digit SIC code ranges: 0800-0899, 1000-1119, and 1400-1499.

(CSR) score by country. We considered a firm to be CSR-intensive when its CSR score was higher than the sample average. Table 8 presents the results of this analysis. Models 1 and 3 present the results for the subsample of CSR-intensive firms, in which we found that the presence of a CSR committee had had a negative and statistically significant effect on the level of CSR decoupling. However, the presence of a CSR committee was not found to have significantly affected the level of CSR decoupling for the subsample of other firms, as shown by the results reported in Models 2 and 4. Hence, this suggests that the presence of CSR committees effectively reduced the level of CSR decoupling only in our sample CSR-intensive firms, as the other firms may have established their CSR committees just for showcasing purposes.

----- [Please insert Table 8 about here] -----

#### ***Controlling for firm-level governance***

Finally, we examined whether firm-level corporate governance strength had any impact on the relation between the presence of a CSR committee and the level of CSR decoupling. We split our sample based on the industry-year average (mean and median) of the corporate governance score by country drawn from the ASSET4 ESG database (Saeed *et al.*, 2022). We considered a sample firm to have been effectively governed when its corporate governance score was found to be higher than the sample average. The results of this analysis are reported in Table 9. Models 1 and 3 contain the results for the subsample of firms with strong governance, for which we found the presence of a CSR committee to have had a negative and statistically significant effect on the level of CSR decoupling. However, the presence of a CSR committee had not significantly affected the level of CSR decoupling for the subsample of weak governance firms, as shown by the results reported in Models 2 and 4. Hence, this suggests that CSR committees are not effective in reducing the level of CSR decoupling in weak governance firms.

----- [Please insert Table 9 about here] -----

#### ***Controlling for regional differences***

So far, our analysis had been based on the whole sample, including firms from different countries and regions. Prior studies (e.g., Tashman *et al.*, 2019) contend that the concept of CSR and the level of a firm's CSR orientation vary across countries and regions. Although we had controlled for the effect of country-level differences by including country-fixed effects in our regression estimates, we were still concerned that our findings may be sensitive to regional

differences.<sup>4</sup> To further address this concern, we divided our sample into developed and emerging countries based on the MSCI 2017 market classification.<sup>5</sup> We then performed our main analysis again on the resulting sub-samples. The results of this analysis, reported in Table 10, show that *CSR\_COM* was found to be negatively (positively) and significantly associated with *GAP (SUM)* in both sub-samples, hence confirming that our main findings—reported in Table 5—are not sensitive to regional differences.

----- [Please insert Table 10 about here] -----

### ***Endogeneity checks***

We acknowledged that our main findings may have been affected by endogeneity caused by self-selection bias, reverse causality, or unobservable heterogeneity. Following extant studies (Abid *et al.*, 2021; Gull *et al.*, 2018; García-Sánchez *et al.*, 2021a; Gull *et al.*, 2021; Nekhili *et al.*, 2020; Nadarajah *et al.*, 2021), we used three different methods—namely, propensity score matching (PSM), two-stage least square (2SLS) regression, and the system GMM (generalized method of moments) approach—to tackle such issue of potential endogeneity.

First, the PSM method is used in corporate governance studies (Gull *et al.*, 2018; Gull *et al.*, 2021; Nadarajah *et al.*, 2021; Nekhili *et al.*, 2020) to control for self-selection bias. To resolve this potential issue, we created a matched sample based on the presence or absence of a CSR committee. We used a CSR committee dummy as a dependent variable in Model 1 (Table 11) and ran a Probit regression to create a matched sample based on firm-level characteristics (e.g., control variables) by setting the maximum propensity score matching difference at 1%. This process resulted in two samples that were identical in terms of their firm-level characteristics but differed based on the presence of a CSR committee. Finally, our matched sample was composed of 13,480 firm-year observations (6,740 with a CSR committee and 6,740 without). We then used this matched sample and re-estimated Equation (1) to see whether our results held. The results of this analysis, which are reported in Model 2 (Table 11), are consistent with our findings that the presence of a CSR committee (*CSR\_COM*) is

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4 We are grateful to one anonymous reviewer for this suggestion.

5 Our developed-country sub-sample consisted of firms from Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States, while the emerging-country sub-sample was composed of firms from Brazil, China, Colombia, the Czech Republic, Greece, India, Indonesia, Korea, Malaysia, Mexico, Philippines, Poland, the Russian Federation, South Africa, Taiwan, Thailand, and Turkey.

negatively associated with the level of CSR decoupling (*GAP*). Hence, we confirmed that our main findings are free from self-selection bias.

Second, our results may have been biased due to reverse causality. Additionally, it was also possible that the presence of a CSR committee and CSR decoupling had been simultaneously determined. For example, our sample firms may have established CSR committees to ensure CSR reporting quality. On the other hand, it was also possible that they had set up CSR committees to cover up the impact of any unethical practices, such as CSR decoupling, and to send positive signals to the stakeholders about their own CSR reporting quality. In any case, there was a possibility that the presence of a CSR committee had been endogenously determined. We addressed this issue by taking the system GMM approach to examine the dynamic relationship between the presence of a CSR committee and CSR decoupling.

The GMM estimator—which performs significantly better than other approaches (e.g., OLS, random-effects and fixed-effects) in dealing with any unobservable heterogeneity and reverse causality—is commonly used in the corporate governance literature (Gull *et al.*, 2018; Gull *et al.*, 2021; García-Sánchez *et al.*, 2021a; Nekhili *et al.*, 2020). Model 3 (Table 11) contains the results of the system GMM regression. These results also indicate that the presence of a CSR committee is likely to reduce the level of CSR decoupling. We also report the Arellano-Bond test (AR1) in first differences and the Sargan test of over-identification, which are required to validate the use of system GMM. The null hypotheses of no first-order (AR1) auto-correlation and an over-identified model were rejected, as shown by the AR1 and Sargan p-value. These tests confirmed the validity of our results and that they had not been driven by any endogeneity related to unobservable heterogeneity or reverse causality.

Third, we used 2SLS regression to further mitigate the issue of reverse causality or omitted variable bias. To take the 2SLS approach, we needed an external instrumental variable that could theoretically influence the likelihood of the establishment of a CSR committee in a firm but should not be related to CSR decoupling, except potentially through the control variables. Scholars suggest that CSR-related activities are mostly voluntary, and that firms following their peers in adopting CSR practices to maintain a competitive advantage (Ding *et al.*, 2016; Liu & Wu, 2016). Following these arguments, we used the industry-year average of CSR committee by country as an instrumental variable likely to be correlated with the likelihood of firms establishing CSR committees but uncorrelated with the error term. As



expected, the first-stage results of Model 4 (Table 11) show that the coefficient on our instrumental variable (*CSR\_COM\_AVG*) was found to be positive and statistically significant at the 1% level. The second stage results of the 2SLS regression, which are reported in Model 5, corroborate our main findings by showing that the presence of a CSR committee was found to be likely to reduce the CSR decoupling level. Finally, the results of the over-identification test (*Sargan p-value*) suggest that our instrument was not correlated with the error term and only influenced the CSR decoupling level through its effect on the presences of a CSR committee, thus concluding that endogeneity had not driven our results.

----- [Please insert Table 11 about here] -----

## **DISCUSSION AND CONCLUSIONS**

The examination of CSR decoupling has been gathering increased scholarly interest (Sauerwald & Su, 2019). The key aim of this study was to develop and empirically test theoretical expectations regarding the presence and characteristics of a CSR committee on the governance board in relation to CSR decoupling. Drawing upon key insights drawn from agency theory, we argued that the installation of a specialized CSR committee signals a greater commitment of the board toward the monitoring of CSR-related firm practices. The findings yielded by the primary and additional analyses indicate that presence of a CSR committee reduces the gap between CSR disclosure and CSR performance, with the committee's size, independence, and tenure negatively affecting CSR decoupling. Our study fills a gap in the literature by providing novel evidence on the board-level determinants of CSR decoupling.

The extant literature shows that opportunistic managers engage in value-destroying and legitimacy-harming CSR decoupling practices in order to achieve their personal goals, which may not be in line with the interests of investors, thus resulting in heightened agency problems. Our empirical findings support this argument by showing that the managerial practice of CSR decoupling is discouraged by the setting up and structuring of a specialized board committee. Our findings, which complement those of Fu *et al.* (2020), are also in line those of Jain and Zaman (2020), who showed that the existence of a CSR committee reduces corporate social irresponsibility. Our findings further strengthen the recent evidence of the effectiveness of director independence in curbing corporate misconduct (Neville *et al.*, 2019). We did not find any evidence for committee gender diversity having any effect on the level of CSR decoupling. However, we did find strong support for the allocation of board resources (i.e., larger committees) and the persistence of the role assigned to committee members (i.e., longer

tenures), and revealed that these characteristics improve the alignment of CSR disclosure and actual performance.

While academic research has made remarkable progress in understanding the determinants of CSR, we still have a scant understanding of how firm-level governance affects CSR decoupling. Our study is a premier investigation that provides important and more fine-grained insights into the channels through which corporate boards can effectively monitor CSR decoupling. From a theoretical standpoint, our findings have important implications and provide several future research opportunities. First, most of the literature concerning corporate governance and CSR has investigated a direct link between corporate governance and CSR disclosure or performance, neglecting the possibility that managers may create CSR-related facades (García-Sánchez *et al.*, 2021a). Our research contributes to corporate governance theory by providing novel evidence of how corporate boards can effectively monitor and curb CSR related organizational facades. Our findings encourage future research on the governance-CSR nexus to examine CSR decoupling aspects in relation to various governance mechanisms.

Second, we contribute to the monitoring perspective based on agency theory. We advocate the role played by specialized CSR committees and their characteristics in curbing agency problems and in aligning the interests of agents and principals. Accordingly, we argue and confirm that a wider gap between the sustainability talk and walk increases agency costs and results from managerial opportunism, which can be reduced by the formation of effective and strong CSR committees. With these findings, we complement the work of Hawn and Ioannou (2016), Sauerwald and Su (2019), Fu *et al.*, (2020), and Shahab *et al.* (2021). Future research may consider the role played by incentive alignment in agency relationships and analyze its effect on the level of CSR decoupling. In line with the dominant corporate governance literature, we argue that, in addition to monitoring, firms may want to reinforce long-term incentive compensation for top managers as a way to promote responsible behaviors (Oh *et al.*, 2018).

Third, our research is among the very few linking the individual mechanisms of governance with CSR decoupling. The corporate governance literature needs to consider the corporate '*governance bundles*' approach in the governance-CSR relationship (Filatotchev & Nakajima, 2010). We thus encourage future research to be conducted by taking a bundling approach while analyzing the impact of governance on CSR decoupling. Moreover, it would be insightful to bringing *external governance in the governance-CSR puzzle* (Aguilera *et al.*, 2015). Future research may study the role played by market-level (García-Sánchez *et al.*,

2021a) and country-level (Aguilera *et al.*, 2015) governance bundles with a firm-level mechanism to investigate the governance-CSR decoupling relationship.

Finally, although prior research suggests that increased gender diversity is vital for improved CSR outcomes, our findings indicate that gender diversity is not associated with CSR decoupling. These results contradict the dominant view of the role played by gender diversity in reducing corporate social irresponsibility (Jain & Zaman, 2020). Further research is needed to determine *whether* and *how* a CSR committee being chaired by a female director affects CSR decoupling. Moreover, testing the relationship between a CSR committee's gender diversity and CSR decoupling under the critical mass hypothesis may yield different results. We extend the CG-CSR scholarship by focusing on the CSR decoupling aspect, which comprises a crucial—albeit surprisingly overlooked—dimension of board responsibility. We also encourage further research to be conducted on CSR committee activities in relation to levels of CSR-related transparency. For example, as Liao *et al.* (2015) argued that only an active CSR committee can exert sufficient influence on CSR disclosures, it would be interesting to analyze how the frequency with which a CSR committee meets affects CSR decoupling. Finally, it would be interesting to analyze how firms decouple across various CSR dimensions.

The results also have important practical implications for CSR committee design. The results indicate that committee size should be considered essential, as its members' increased knowledge and experience seem to contribute to a committee's decision-making capability and reduce corporate social irresponsibility (Jain & Zaman, 2020). CSR committees should be composed of independent directors, as better monitors that can ensure that such committees are not unduly influenced by management (Hussain *et al.*, 2018). Furthermore, committee member turnover should be minimal, as longer member tenures bring firm- and management-specific knowledge (Celikyurt *et al.*, 2014), which helps committees fulfil their roles more effectively.

The findings of this study also have implications for policy makers. Given the widespread global reporting of corporate misconduct and ethical issues, it is important for policy makers to understand the important role that CSR committees play in regard to corporate social conduct. Government agencies and the relevant institutions responsible for corporate governance and social conduct are encouraged to focus on CSR committees and to work with corporate decision-makers and CSR committees to discourage any symbolic CSR and corporate misconduct. Policy makers should also not only secure the commitment of top-managers, but also form alliances with CSR committees in order to encourage firms to follow any public policies and initiatives related to corporate social conduct. Thus, overall, in order to

ensure the effectiveness of any public policies governing corporate behaviors, policy makers simply cannot ignore the role played by CSR committees in firms' social and ethical conduct.

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**Table 1(A):** Overview of prior studies on CSR committees and CSR disclosure and performance

Study	Theory	Independent variable	Dependent variable(s)	CSR measure	Sample Firms	Country
<i>CSR Disclosure</i>						
Amran <i>et al.</i> (2014)	Legitimacy theory and resource-based view	CSR Committee (+)	Sustainability reporting quality	Sustainability reporting quality index	113	Asia-Pacific
Cowen <i>et al.</i> (1987)	NA	CSR Committee (+)	Disclosure of human resource information	CSR disclosures	134	US
Cucari <i>et al.</i> (2018)	Stakeholder theory	CSR Committee (+)	CSR disclosure	Bloomberg ESG	54	Italy
Giannarakis <i>et al.</i> (2019)	Stakeholder theory	Sustainability committee (+)	Environmental disclosure	Bloomberg ESG	278	US
Helfaya and Moussa (2017)	Stakeholder and legitimacy theory	CSR Committee (+)	Environmental disclosure	Content analysis of CSR and annual reports	94	UK
Liao <i>et al.</i> (2015)	Stakeholder theory	Environmental committee (0)	GHG disclosure	Carbon Disclosure Project (CDP) reports	329	UK
Michelon and Parbonetti (2012)	Stakeholder theory	CSR Committee (0)	Sustainability disclosure	Content analysis of CSR and annual reports	114	US and European firms
Peters and Romi (2014)	Stakeholder theory	Environmental committee (+)	Environmental disclosure	GHG emissions questionnaire	500	US
Peters and Romi (2015)	Legitimacy theory	Environmental committee (0)	Assurance of CSR reports	Sustainability report assurance (SRA)	912 observations	US
Rankin <i>et al.</i> (2011)	Institutional governance theory	Environmental committee (0)	Credibility and extent of GHG disclosures	Content analysis of public reports	187	Australia
Rupley <i>et al.</i> (2012)	Agency and legitimacy theory	CSR Committee (0)	Quality of environmental disclosure	Environmental disclosure index	127	US

<b>Study</b>	<b>Theory</b>	<b>Independent variable</b>	<b>Dependent variable(s)</b>	<b>CSR measure</b>	<b>Sample Firms</b>	<b>Country</b>
<b>CSR Performance</b>						
Burke <i>et al.</i> (2019)	Accountability theory	Sustainability committee (+)	Social performance	MSCI (KLD) database	1,742	US
Dixon- Fowler <i>et al.</i> (2017)	Agency and resource-dependence theory	Environmental committee (+)	Environmental strengths and weaknesses	MSCI (KLD) database	485	US
Godos- Díez <i>et al.</i> (2018)	Agency, stakeholder, and resource-dependence theory	CSR Committee (+)	CSR Performance	Participation in the United Nations Global Compact	81	Spain
Govindan <i>et al.</i> (2021)	Agency and stakeholder theory	CSR committee (+)	CSR performance	EIKON Database	504	International
Hussain <i>et al.</i> (2018)	Agency and stakeholder theory	Sustainability committee (+)	Sustainability performance	Content Analysis	152 sustainability reports	US
Mallin and Michelon (2011)	Resource-dependence and legitimacy theory	CSR Committee (+)	Social performance	KLD ratings	176	US
McKendall <i>et al.</i> (1999)	Corporate illegality	CSR Committee (0)	Environmental violations	Enforcement actions by the Environmental Protector Agency	150	US
Orazalin (2019)	Stakeholder and resource dependence theory	Sustainability committee (+)	Environmental and social performance	Asset4	109	UK
Rodrigue <i>et al.</i> (2013)	Stakeholder theory	Environmental committee (0)	Environmental performance	Environmental expenditures	219 observations	US
Shahbaz <i>et al.</i> (2020)	Agency and stakeholder theory	CSR committee (+)	CSR performance	EIKON Database	2081 observations	International
Spitzeck (2009)	Stakeholder theory	CSR Committee (+)	Corporate responsibility	Corporate Responsibility Index (CRI)	51	UK
Walls <i>et al.</i> (2012)	Agency and stakeholder theory	Environmental committee (+)	Environmental strengths and concerns	KLD ratings	313	US

**Table 1(B):** Overview of prior studies on determinants of CSR decoupling and greenwashing (*In ascending chronological order*)

Study	Theory	Independent variable	Dependent variable(s)	Decoupling measure	Sample Firms	Country
Ramus & Montiel (2005)	Institutional theory	Firms in service industry (+)	Greenwashing	The extent to which environmental policies are implemented.	188	International
Marquis & Qian (2014)	Institutional theory	Governmental monitoring (-)	CSR decoupling	Gap between reporting and performance.	1600	China
Cho <i>et al.</i> (2015)	Signaling- and legitimacy theory	Contradictory societal and institutional pressures (+)	Environmental decoupling	The gap between corporate talk and practice.	Literature Review	International
Kim & Lyon (2015)	Legitimacy Theory	Growth (+) Regulations (-)	Environmental decoupling	Difference between reported and actual emissions reductions.	54	US
Marquis <i>et al.</i> (2016)	Institutional theory	Headquarter location (-), political rights (-), monitoring activists (-)	Greenwashing	Disclose positive environmental actions while concealing negative ones.	4750	International
Wickert <i>et al.</i> (2016)	Contingency- and agency theory	Firm size (+)	CSR decoupling	The gap between CSR communication and the implementation.	Literature review	International
Luo <i>et al.</i> (2017)	Institutional theory	Conflicting demands from central- and local government (+)	CSR decoupling	Issuing low-quality reports.	2028	China
Hyatt & Berente (2017)	Institutional theory	Normative stakeholder pressure (+)	CSR decoupling	Survey	214	US
Jamali <i>et al.</i> (2017)	Institutional theory	Stakeholder pressure (+)	CSR decoupling	Decoupling practice from CSR agenda.	37 interviews	India
Sauerwald & Su (2019)	Upper echelon theory	CEO overconfidence (+)	CSR Decoupling	The gap reporting and performance	273	US
Tashman <i>et al.</i> (2019)	Neo-institutional theory	Institutional Void (+)	CSR decoupling	The gap reporting and performance	93	Emerging Markets
García-Sánchez <i>et al.</i> (2020)	Stakeholder & legitimacy Theory	Analysts Coverage (-)	CSR decoupling	Difference between KLD score and Bloomberg's Score	7681 observations	US

**Note:** (+)= positive relationship, (0)= insignificant, and (-)=negative relationship between independent and dependent variable(s)

**Table 2:** Sample distribution by country and year

<b>Panel A: Sample distribution by country</b>					
<i>Country</i>	<b>N</b>	<b>%</b>	<i>Country</i>	<b>N</b>	<b>%</b>
<i>Australia</i>	1,925	7.51	<i>Luxembourg</i>	33	0.13
<i>Austria</i>	103	0.40	<i>Malaysia</i>	181	0.70
<i>Belgium</i>	208	0.81	<i>Mexico</i>	24	0.09
<i>Brazil</i>	49	0.19	<i>Netherlands</i>	299	1.16
<i>Canada</i>	2,217	8.65	<i>New Zealand</i>	102	0.40
<i>China</i>	366	1.42	<i>Norway</i>	143	0.55
<i>Colombia</i>	25	0.10	<i>Philippines</i>	21	0.08
<i>Czech Republic</i>	26	0.10	<i>Poland</i>	35	0.13
<i>Denmark</i>	122	0.47	<i>Portugal</i>	68	0.26
<i>Finland</i>	247	0.96	<i>Russian Federation</i>	120	0.46
<i>France</i>	880	3.43	<i>Singapore</i>	290	1.13
<i>Germany</i>	663	2.58	<i>South Africa</i>	439	1.71
<i>Greece</i>	55	0.21	<i>Spain</i>	322	1.25
<i>Hongkong</i>	883	3.25	<i>Sweden</i>	357	1.39
<i>India</i>	438	1.71	<i>Switzerland</i>	479	1.86
<i>Indonesia</i>	92	0.36	<i>Taiwan</i>	98	0.38
<i>Ireland</i>	122	0.47	<i>Thailand</i>	100	0.39
<i>Israel</i>	26	0.10	<i>Turkey</i>	54	0.21
<i>Italy</i>	149	0.58	<i>United Kingdom</i>	2,988	11.65
<i>Japan</i>	107	0.42	<i>United States</i>	10,669	41.74
<i>Korea</i>	104	0.40	<i>All Countries</i>	25,629	100

  

<b>Panel B: Sample distribution by year</b>					
<i>Year</i>	<b>N</b>	<b>%</b>	<i>Year</i>	<b>N</b>	<b>%</b>
<i>2003</i>	431	1.68	<i>2011</i>	2,229	8.70
<i>2004</i>	472	1.84	<i>2012</i>	2,371	9.25
<i>2005</i>	883	3.25	<i>2013</i>	2,487	9.70
<i>2006</i>	1,046	4.08	<i>2014</i>	2,474	9.65
<i>2007</i>	1,100	4.29	<i>2015</i>	2,498	9.74
<i>2008</i>	1,265	4.93	<i>2016</i>	2,992	11.67
<i>2009</i>	1,567	6.11	<i>2017</i>	1,906	7.43
<i>2010</i>	1,908	7.44	<i>All Years</i>	25,629	100

Table 2 reports the distribution of sample by country and year. The final sample consisted of 25,629 firm-year observations drawn from 41 countries between 2003 and 2017.

**Table 3:** Descriptive statistics

<b>Variable</b>	<b>Obs.</b>	<b>Mean</b>	<b>STD</b>	<b>MIN</b>	<b>MAX</b>
<i>GAP</i>	25,629	-0.324	0.133	-0.871	0.3347
<i>SUM</i>	25,629	0.939	0.397	0.000	1.9231
<i>CSR_COM</i>	25,629	0.263	0.440	0.000	1.000
<i>CSR_COM_Size</i>	6,738	4.623	1.669	1.000	16.000
<i>CSR_COM_Independence</i>	6,710	0.898	18.424	0.000	100.000
<i>CSR_COM_Tenure</i>	5,805	3.446	2.314	0.130	15.670
<i>CSR_COM_Gender</i>	6,266	0.266	27.493	0.000	100.000
<i>BOD_SIZE</i>	25,629	2.259	0.310	0.000	3.555
<i>BOD_IND</i>	25,629	80.161	13.961	0.000	100.000
<i>BOD_MEET</i>	25,629	2.073	0.429	0.000	5.182
<i>CEO_DUAL</i>	25,629	0.568	0.495	0.000	1.000
<i>ROA</i>	25,629	5.681	10.859	-66.050	35.860
<i>CR</i>	25,629	1.978	1.950	0.262	18.377
<i>SIZE</i>	25,629	15.664	1.984	9.217	23.749
<i>INST_OWN</i>	25,629	0.561	0.496	0.000	1.000
<i>STATE_OWN</i>	25,629	0.066	0.248	0.000	1.000

All variables are as defined in 'Appendix 1'.

**Table 4:** Pairwise correlation matrix

<b>Variable</b>	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>	<b>(8)</b>	<b>(9)</b>	<b>(10)</b>	<b>(11)</b>	<b>(12)</b>	<b>(13)</b>	<b>(14)</b>	<b>(15)</b>	<b>(16)</b>	<b>VIF</b>
<i>(1) GAP</i>	1.000																-
<i>(2) SUM</i>	0.237*	1.000															-
<i>(3) CSR_COM</i>	-0.008	0.207*	1.000														1.43
<i>(4) CSR_COM_Size</i>	0.061*	0.182*	-	1.000													1.12
<i>(5) CSR_COM_Independence</i>	-0.087*	0.010	-	0.086*	1.000												1.45
<i>(6) CSR_COM_Tenure</i>	-0.043*	0.111*	-	0.077*	0.220*	1.000											1.20
<i>(7) CSR_COM_Gender</i>	-0.065*	-0.080*	-	-0.095*	0.123*	0.007	1.000										1.06
<i>(8) BOD_SIZE</i>	0.223*	0.340*	0.115*	0.287*	0.074*	0.031	-0.100*	1.000									2.00
<i>(9) BOD_IND</i>	-0.009	0.190*	0.061*	0.123*	0.506*	0.178*	0.015	0.177*	1.000								1.97
<i>(10) BOD_MEET</i>	-0.027*	0.047*	0.062*	0.052*	0.101*	-0.075*	-0.045*	-0.103*	0.022*	1.000							1.33
<i>(11) CEO_DUAL</i>	0.033*	0.016	0.046*	-0.088*	-0.119*	-0.223*	-0.069*	-0.129*	-0.091*	0.116*	1.000						1.41
<i>(12) ROA</i>	0.067*	0.089*	-0.033*	0.032*	-0.026	0.010	-0.059*	0.097*	-0.004	-0.135*	-0.047*	1.000					1.16
<i>(13) CR</i>	-0.108*	-0.190*	-0.052*	-0.069*	-0.036*	-0.023	0.032	-0.224*	-0.063*	-0.052*	-0.003	-0.117*	1.000				1.30
<i>(14) SIZE</i>	0.304*	0.415*	0.130*	0.216*	-0.107*	0.038*	-0.192*	0.473*	0.078*	-0.017*	-0.083*	0.122*	-0.261*	1.000			2.52
<i>(15) INST_OWN</i>	-0.165*	-0.115*	-0.056*	0.023	0.069*	0.063*	0.018	-0.133*	0.017*	-0.019*	-0.076*	0.007	0.048*	-0.242*	1.000		1.26
<i>(16) STATE_OWN</i>	0.119*	0.162*	0.096*	0.068*	-0.126*	-0.084*	-0.014	0.145*	0.048*	0.059*	0.102*	-0.001	-0.070*	0.188*	-0.141*	1.000	1.49

All variables are as defined in 'Appendix 1'.

\* symbolizes significance at the 1% level.



**Table 5:** CSR committee and CSR decoupling

Variables	Model 1	Model 2	Model 3	Model 4
	<i>GAP</i>	<i>SUM</i>	<i>NEG_GAP</i>	<i>POS_GAP</i>
<i>CSR_COM</i>	-0.006*** (-3.21)	0.082*** (19.40)	-0.018*** (-9.79)	-0.016* (-1.89)
<i>BOD_SIZE</i>	0.025*** (7.41)	0.132*** (18.47)	0.046*** (15.63)	0.101*** (7.10)
<i>BOD_IND</i>	-0.001*** (-9.70)	0.003*** (21.91)	-0.000*** (-6.61)	0.000* (1.72)
<i>BOD_MEET</i>	-0.010*** (-5.24)	0.022*** (5.29)	-0.005*** (-2.62)	-0.014 (-1.56)
<i>CEO_DUAL</i>	-0.001 (-0.48)	-0.013*** (-3.52)	0.015*** (9.44)	-0.002 (-0.24)
<i>ROA</i>	0.000** (1.97)	0.002*** (10.84)	0.000*** (4.27)	0.002*** (3.53)
<i>CR</i>	0.001 (1.43)	-0.005*** (-5.25)	-0.001*** (-3.12)	-0.011*** (-2.62)
<i>SIZE</i>	0.016*** (22.97)	0.121*** (81.92)	0.015*** (32.80)	0.024*** (11.22)
<i>INST_OWN</i>	-0.010*** (-5.96)	0.000 (0.13)	-0.023*** (-14.06)	-0.039*** (-4.58)
<i>STATE_OWN</i>	0.005 (1.50)	0.038*** (4.99)	0.026*** (7.93)	0.025** (2.13)
Constant	-0.574*** (-11.55)	-2.281*** (-21.31)	-0.621*** (-61.77)	-0.997*** (-13.89)
Observations	25,629	25,629	25,629	25,629
Country Fixed Effect	Yes	Yes	Yes	Yes
Industry Fixed Effect	Yes	Yes	Yes	Yes
Year Fixed Effect	Yes	Yes	Yes	Yes
Adj. R <sup>2</sup>	0.244	0.604		
Pseudo R <sup>2</sup>			0.112	0.186

All variables are as defined in 'Appendix 1'.

T-statistics are given in parenthesis. \*, \*\* and \*\*\* symbolize significance at the 10%, 5% and 1% levels, respectively.

**Table 6:** CSR committee characteristics and CSR decoupling

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
	<i>GAP</i>	<i>GAP</i>	<i>GAP</i>	<i>GAP</i>	<i>GAP</i>
<i>CSR_COM_Size</i>	-0.003*** (-2.78)				-0.003** (-2.33)
<i>CSR_COM_Independence</i>		-0.002** (-1.97)			-0.000* (-1.78)
<i>CSR_COM_Tenure</i>			-0.002*** (-2.89)		-0.002** (-2.24)
<i>CSR_COM_Gender</i>				0.000 (0.55)	0.000 (1.14)
<i>BOD_SIZE</i>	0.061*** (9.52)	0.058*** (9.19)	0.065*** (9.51)	0.056*** (8.41)	0.066*** (9.13)
<i>BOD_IND</i>	-0.001*** (-6.76)	-0.001*** (-5.17)	-0.001*** (-6.20)	-0.001*** (-5.71)	-0.001*** (-4.59)
<i>BOD_MEET</i>	0.002 (0.49)	0.001 (0.34)	-0.001 (-0.22)	0.002 (0.54)	0.003 (0.59)
<i>CEO_DUAL</i>	0.010*** (3.08)	0.010*** (3.12)	0.013*** (3.58)	0.009*** (2.60)	0.011*** (3.08)
<i>ROA</i>	0.000 (1.07)	0.000 (1.01)	0.000 (0.93)	0.000 (1.38)	0.000 (1.35)
<i>CR</i>	-0.004*** (-4.52)	-0.004*** (-4.73)	-0.005*** (-5.08)	-0.005*** (-5.05)	-0.006*** (-5.25)
<i>SIZE</i>	0.021*** (22.05)	0.021*** (21.30)	0.021*** (19.68)	0.021*** (19.92)	0.021*** (18.43)
<i>INST_OWN</i>	-0.005 (-1.53)	-0.005* (-1.68)	-0.004 (-1.12)	-0.005 (-1.57)	-0.002 (-0.71)
<i>STATE_OWN</i>	0.020*** (3.90)	0.019*** (3.63)	0.017*** (2.87)	0.020*** (3.74)	0.017*** (2.76)
Constant	-0.729*** (-29.00)	-0.717*** (-28.16)	-0.737*** (-27.41)	-0.725*** (-26.98)	-0.736*** (-25.24)
Observations	6,738	6,710	5,805	6,266	5,427
Country Fixed Effect	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effect	Yes	Yes	Yes	Yes	Yes
Year Fixed Effect	Yes	Yes	Yes	Yes	Yes
Adj. R <sup>2</sup>	0.179	0.176	0.173	0.164	0.163

All variables are as defined in 'Appendix 1'.

T-statistics are given in parenthesis. \*, \*\* and \*\*\* symbolize significance at the 10%, 5% and 1% levels, respectively.

**Table 7:** The impact of CSR committee on CSR decoupling under sub-sample of natural resource and extractive industries and rest of the industries

Variables	Model 1	Model 2
	Natural Resources	Rest of Industries
	<i>GAP</i>	<i>GAP</i>
<i>CSR_COM</i>	0.018** (2.33)	-0.006*** (-3.11)
<i>BOD_SIZE</i>	-0.025* (-1.85)	0.026*** (7.63)
<i>BOD_IND</i>	-0.001*** (-3.87)	-0.001*** (-8.66)
<i>BOD_MEET</i>	-0.014** (-2.12)	-0.010*** (-4.71)
<i>CEO_DUAL</i>	-0.012* (-1.66)	-0.000 (-0.12)
<i>ROA</i>	-0.001*** (-3.30)	0.000*** (3.60)
<i>CR</i>	-0.001 (-1.46)	0.001** (2.41)
<i>SIZE</i>	0.015*** (5.16)	0.016*** (22.99)
<i>INST_OWN</i>	-0.001 (-0.14)	-0.010*** (-6.11)
<i>STATE_OWN</i>	0.017 (1.02)	0.005 (1.36)
Constant	-0.433*** (-6.09)	-0.590*** (-11.82)
Observations	1,442	24,187
Country Fixed Effect	Yes	Yes
Industry Fixed Effect	Yes	Yes
Year Fixed Effect	Yes	Yes
Adj. R <sup>2</sup>	0.191	0.246

All variables are as defined in 'Appendix 1'.

T-statistics are given in parenthesis. \*, \*\* and \*\*\* symbolize significance at the 10%, 5% and 1% levels, respectively.

**Table 8:** The impact of CSR committee on CSR decoupling under sub-sample of CSR intensive and rest of the industries

VARIABLES	Model 1	Model 2	Model 3	Model 4
	Mean		Median	
	CSR Intensive Firms	Rest of Firms	CSR Intensive Firms	Rest of Firms
	GAP	GAP	GAP	GAP
<i>CSR_COM</i>	-0.022*** (-7.77)	0.000 (0.15)	-0.023*** (-8.20)	0.001 (0.40)
<i>BOD_SIZE</i>	0.006 (1.41)	0.029*** (5.61)	0.015*** (3.77)	0.019*** (3.62)
<i>BOD_IND</i>	-0.001*** (-9.68)	-0.001*** (-5.64)	-0.001*** (-10.71)	-0.001*** (-4.32)
<i>BOD_MEET</i>	-0.015*** (-6.69)	-0.002 (-0.50)	-0.015*** (-6.78)	-0.001 (-0.33)
<i>CEO_DUAL</i>	-0.001 (-0.26)	0.001 (0.23)	-0.002 (-1.05)	0.002 (0.59)
<i>ROA</i>	-0.000 (-0.02)	0.001*** (5.14)	0.000 (0.10)	0.001*** (4.54)
<i>CR</i>	0.000 (0.00)	-0.003*** (-3.01)	0.000 (0.48)	-0.003*** (-3.05)
<i>SIZE</i>	0.002* (1.66)	0.023*** (20.98)	0.002* (1.89)	0.023*** (20.54)
<i>INST_OWN</i>	-0.011*** (-5.00)	-0.006*** (-2.65)	-0.009*** (-4.43)	-0.008*** (-3.18)
<i>STATE_OWN</i>	-0.004 (-0.75)	0.009* (1.94)	0.006 (1.33)	0.004 (0.77)
Constant	-0.230*** (-4.77)	-0.698*** (-5.23)	-0.260*** (-5.29)	-0.678*** (-5.10)
Observations	12,297	13,332	12,956	12,673
Country Fixed Effect	Yes	Yes	Yes	Yes
Industry Fixed Effect	Yes	Yes	Yes	Yes
Year Fixed Effect	Yes	Yes	Yes	Yes
Adj. R <sup>2</sup>	0.262	0.289	0.281	0.287

All variables are as defined in 'Appendix 1'.

T-statistics are given in parenthesis. \*, \*\* and \*\*\* symbolize significance at the 10%, 5% and 1% levels, respectively.

**Table 9:** The impact of CSR committee on CSR decoupling under sub-sample of firms with strong and weak governance

Variables	Model 1	Model 2	Model 3	Model 4
	Mean		Median	
	Strong Governance	Weak Governance	Strong Governance	Weak Governance
	GAP	GAP	GAP	GAP
<i>CSR_COM</i>	-0.016*** (-5.17)	-0.003 (-1.01)	-0.017*** (-5.88)	-0.001 (-0.54)
<i>BOD_SIZE</i>	0.013*** (3.02)	0.037*** (7.30)	0.013*** (3.20)	0.039*** (7.10)
<i>BOD_IND</i>	-0.001*** (-9.12)	-0.000*** (-3.92)	-0.001*** (-8.69)	-0.000*** (-4.04)
<i>BOD_MEET</i>	-0.015*** (-5.71)	-0.004 (-1.38)	-0.014*** (-5.80)	-0.003 (-1.12)
<i>CEO_DUAL</i>	-0.001 (-0.35)	0.000 (0.16)	-0.000 (-0.03)	0.000 (0.09)
<i>ROA</i>	0.000 (0.64)	0.000*** (3.15)	-0.000 (-0.11)	0.000*** (3.95)
<i>CR</i>	0.000 (0.81)	-0.000 (-0.07)	0.000 (0.57)	0.000 (0.00)
<i>SIZE</i>	0.008*** (8.03)	0.020*** (20.89)	0.008*** (8.82)	0.021*** (20.28)
<i>INST_OWN</i>	-0.009*** (-3.69)	-0.008*** (-3.43)	-0.010*** (-4.39)	-0.007*** (-2.83)
<i>STATE_OWN</i>	0.010* (1.87)	0.006 (1.21)	0.011** (2.21)	0.005 (0.90)
Constant	-0.370*** (-6.91)	-0.681*** (-5.40)	-0.390*** (-7.39)	-0.695*** (-5.46)
Observations	11,408	14,221	12,956	12,673
Country Fixed Effect	Yes	Yes	Yes	Yes
Industry Fixed Effect	Yes	Yes	Yes	Yes
Year Fixed Effect	Yes	Yes	Yes	Yes
Adj. R <sup>2</sup>	0.292	0.246	0.280	0.253

All variables are as defined in 'Appendix 1'.

T-statistics are given in parenthesis. \*, \*\* and \*\*\* symbolize significance at the 10%, 5% and 1% levels, respectively.

**Table 10:** The impact of CSR committee on CSR decoupling under sub-sample of firms belonging to developed and emerging countries

VARIABLES	Developed Countries		Emerging Countries	
	Model 1	Model 2	Model 3	Model 4
	<i>GAP</i>	<i>SUM</i>	<i>GAP</i>	<i>SUM</i>
<i>CSR_COM</i>	-0.005** (-2.32)	0.079*** (18.17)	-0.021*** (-2.68)	0.068*** (4.16)
<i>BOD_SIZE</i>	0.028*** (7.98)	0.120*** (15.85)	-0.011 (-1.09)	0.182*** (8.59)
<i>BOD_IND</i>	-0.001*** (-9.14)	0.004*** (21.09)	-0.000** (-2.34)	0.003*** (5.84)
<i>BOD_MEET</i>	-0.012*** (-5.69)	0.029*** (6.51)	-0.010* (-1.68)	-0.012 (-0.99)
<i>CEO_DUAL</i>	0.000 (0.07)	-0.013*** (-3.48)	-0.014** (-2.12)	-0.025* (-1.76)
<i>ROA</i>	0.000 (1.19)	0.001*** (8.88)	0.001*** (2.97)	0.006*** (7.65)
<i>CR</i>	0.000 (0.80)	-0.005*** (-5.16)	0.001 (0.21)	-0.016*** (-2.76)
<i>SIZE</i>	0.015*** (21.44)	0.123*** (80.20)	0.017*** (6.53)	0.092*** (16.45)
<i>INST_OWN</i>	-0.011*** (-6.55)	-0.006* (-1.65)	0.005 (0.83)	0.089*** (6.66)
<i>STATE_OWN</i>	0.009** (2.15)	0.055*** (6.16)	-0.012 (-1.57)	0.012 (0.73)
Constant	-0.349*** (-12.33)	-2.066*** (-34.02)	-0.757*** (-5.43)	-1.768*** (-5.93)
Observations	23,402	23,402	2,227	2,227
Country Fixed Effect	Yes	Yes	Yes	Yes
Industry Fixed Effect	Yes	Yes	Yes	Yes
Year Fixed Effect	Yes	Yes	Yes	Yes
Adj. R <sup>2</sup>	0.226	0.617	0.284	0.491

We followed the MSCI 2017 market classification to form our developed and emerging country sub-samples.

All variables are as defined in 'Appendix 1'.

T-statistics are given in parenthesis. \*, \*\* and \*\*\* symbolize significance at the 10%, 5% and 1% levels, respectively.

**Table 11:** Endogeneity checks

VARIABLES	Model 1	Model 2	Model 3	Model 4	Model 5
	<i>CSR_COM</i>	<i>GAP</i>	<i>GAP</i>	<i>CSR_COM</i>	<i>GAP</i>
	Probit Regression	PS Matched Sample	The System GMM	2SLS (1 <sup>st</sup> Stage)	2SLS (2 <sup>nd</sup> Stage)
<i>CSR_COM</i>		-0.006*** (-2.58)	-0.091** (-2.56)		-0.083*** (-5.84)
<i>BOD_SIZE</i>	0.486*** (11.25)	0.028*** (5.79)	0.381*** (5.16)	0.106*** (10.22)	0.033*** (8.81)
<i>BOD_IND</i>	0.014*** (14.22)	-0.001*** (-6.04)	-0.001 (-0.98)	0.003*** (12.49)	-0.000*** (-5.48)
<i>BOD_MEET</i>	0.090*** (3.67)	-0.007** (-2.35)	-0.116*** (-3.78)	0.023*** (3.77)	-0.008*** (-4.14)
<i>CEO_DUAL</i>	0.055** (2.44)	0.001 (0.43)	0.071* (1.79)	0.017*** (3.12)	0.000 (0.19)
<i>ROA</i>	-0.001 (-1.23)	0.000 (0.92)	-0.000 (-1.23)	-0.000 (-1.44)	0.000* (1.65)
<i>CR</i>	-0.028*** (-4.88)	-0.001 (-1.60)	-0.008 (-1.31)	-0.005*** (-3.51)	0.000 (0.56)
<i>SIZE</i>	0.216*** (24.79)	0.022*** (21.77)	-0.022 (-1.03)	0.050*** (23.50)	0.020*** (19.38)
<i>INST_OWN</i>	0.046** (2.24)	-0.004* (-1.84)	-0.125*** (-4.99)	0.010* (1.89)	-0.009*** (-5.38)
<i>STATE_OWN</i>	0.038 (0.84)	-0.001 (-0.22)	-0.222** (-2.42)	0.013 (1.13)	0.006* (1.74)
<i>CSR_COM_AVG</i>				0.891*** (22.80)	
<i>Lag_GAP</i>			-0.261*** (-17.74)		
Constant	-4.914*** (-7.22)	-0.403*** (-4.19)	-0.918*** (-3.45)	-1.385*** (-8.85)	-0.686*** (-12.47)
Observations	25,629	13,480	22,097	25,629	25,629
Country Fixed Effect	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effect	Yes	Yes	Yes	Yes	Yes
Year Fixed Effect	Yes	Yes	Yes	Yes	Yes
Pseudo R <sup>2</sup>	0.275				
Adj. R <sup>2</sup>		0.278		0.311	0.199
Chi <sup>2</sup> p-value			0.00		
AR1 p-value			0.00		
Sargan p-value			0.00		0.15

All variables are as defined in 'Appendix 1'.

T-statistics are given in parenthesis. \*, \*\* and \*\*\* symbolize significance at the 10%, 5% and 1% levels, respectively.



## Appendix 1: Definition of variables

Variable name	Symbol	Definition	Source
CSR gap	<i>GAP</i>	Difference between current CSR disclosure score from Bloomberg and lagged CSR performance score from Asset4.	Asset4 & Bloomberg
CSR sum	<i>SUM</i>	Sum of current CSR disclosure score from Bloomberg and lagged CSR performance score from Asset4.	Asset4 & Bloomberg
Negative gap	<i>NEG_GAP</i>	The negative gap between current CSR disclosure score from Bloomberg and lagged CSR performance score from Asset4.	Asset4 & Bloomberg
Positive gap	<i>POS_GAP</i>	The positive gap between current CSR disclosure score from Bloomberg and lagged CSR performance score from Asset4.	Asset4 & Bloomberg
CSR committee	<i>CSR_COM</i>	Dummy variable coded 1 if firm has a CSR committee; otherwise 0.	BoardEx
CSR committee size	<i>CSR_COM_Size</i>	Total number of directors serving on the CSR committee.	BoardEx
CSR committee independence	<i>CSR_COM_Independence</i>	The ratio of independent directors serving on the CSR committee to total number of directors serving on the CSR committee.	BoardEx
CSR committee tenure	<i>CSR_COM_Tenure</i>	The average committee tenure of directors serving on the CSR committee.	BoardEx
CSR committee gender diversity	<i>CSR_COM_Gender</i>	The ratio of female directors serving on the CSR committee to total number of directors serving on the CSR committee.	BoardEx
Board size	<i>BOD_SIZE</i>	Natural log of the total number of directors serving on the board.	BoardEx
Board independence	<i>BOD_IND</i>	The ratio of independent directors to total number of directors on the board.	BoardEx
Board meetings	<i>BOD_MEET</i>	Natural log of the number of board meetings held during the year.	BoardEx
CEO duality	<i>CEO_DUAL</i>	Dummy variable coded 1 if chairman also holds the CEO position; otherwise 0.	BoardEx
Profitability	<i>ROA</i>	Net profit/loss divided by total assets.	Worldscope
Current Ratio	<i>CR</i>	The ratio of current assets to current liabilities.	Worldscope
Firm size	<i>SIZE</i>	Natural log of total assets.	Worldscope
Institutional owned	<i>INST_OWN</i>	Dummy variable coded 1 if institutions hold more than 5% equity; otherwise 0.	Worldscope
State owned	<i>STATE_OWN</i>	Dummy variable coded 1 if state owns more than 5% equity; otherwise 0.	Worldscope

All financial variables are winsorized at bottom 1% and top 99% levels.

The Thomson Reuters Asset 4 ESG scores objectively measure the ESG performance of a firm relative to industry. It measures CSR performance related to 10 main themes, including; emissions, green innovation, resources use reduction, human rights, employee wellbeing, customer responsibility, supplier responsibility, product responsibility, care for local communities, and shareholder rights protection. Asset4 also provides a combined score discounted for ESG-related controversies. The score ranges from 0 to 100 for poor to best performing firms. On the other hand, Bloomberg provides a score that determines a company's transparency in reporting ESG information. Environment-related data comprises data on emissions, energy, waste, water, and operational policies around environmental impact. Examples include the level of greenhouse gas emissions, the amount of waste generated, the amount of renewable energy used, etc. The social score is based on data related to human resources, products, and impact of company's policies and operations on communities. Examples include employee development, workforce gender diversity, and the social criteria for selecting partners and suppliers.