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ABSTRACT

In this paper, we analyze an under-examined strategic structure: the corporate social responsibility (CSR) committee within the board of directors. We conduct univariate analysis and binary logistic regressions on the determinants of the presence of a CSR committee within the board of 427 companies in non-financial industries included in the STOXX Europe 600 Index for the years 2006–2011. Besides firm size and industry type, our findings suggest that a CSR committee is more likely to be present in companies that operate in a common law jurisdiction and when the CEO is also chair of the board. Combining those results with insights from the variety of capitalism, strategic choice, and resource-based perspectives, our paper contributes to the non-stabilized literature on the link between CSR and governance by nuancing prior hypotheses and findings about the determinants of the presence of a CSR committee within a board of directors.

Keywords: Corporate governance, Board effectiveness, CSR committee, Corporate social performance, Corporate social responsibility.

RÉSUMÉ

Cet article porte sur une structure stratégique jusqu'à présent peu étudiée : le comité de responsabilité sociale de l'entreprise (RSE) au sein du conseil d'administration. Une analyse univariée ainsi que des régressions logistiques binaires sont réalisées sur les déterminants de la présence d'un comité RSE au sein du conseil d'administration de 427 entreprises de secteurs non financiers du STOXX Europe 600 Index pour les années 2006 à 2011. Outre la taille de l'entreprise et le secteur d'appartenance, nos résultats suggèrent que les comités RSE sont davantage présents dans les entreprises qui opèrent dans les juridictions de common law et lorsque le directeur général agit également comme président du conseil d'administration (PDG). Articulant ces résultats avec les éclairages des approches de la variété du capitalisme, des choix stratégiques et de la stratégie par les ressources, notre article contribue à la littérature encore non stabilisée sur la relation entre la RSE et la gouvernance en nuançant les hypothèses et conclusions antérieures sur les déterminants de la présence d'un comité RSE au sein du conseil d'administration.

Mots-clés : *Gouvernance d'entreprise, Conseil d'administration, Comité RSE, Performance sociale de l'entreprise, Responsabilité sociale de l'entreprise.*

LIST OF ABBREVIATIONS

BOD: Board of directors
CEO: Chief executive officer
CSR: Corporate social responsibility
DJSI: Dow Jones sustainability indexes
ESG: Environmental, social, and governance
ICB: Industry classification benchmark
SAM: Sustainable Asset Management, Zurich

INTRODUCTION

Although many studies have explored the links between corporate social responsibility (CSR) and corporate governance, only a very few have examined the structures that are established within companies in order to determine how directors incorporate CSR into their decision-making processes. However, as noted by Elkington (2006), public pressure has pushed companies to place the triple bottom line agendum within the responsibility of board members. Elkington called for research into how economic, social, and environmental values, born by the triple-bottom-line concept of CSR (Elkington, 1998), can be created through better corporate governance systems.

Studies on corporate governance such as those of Nelson, Zollinger, & Singh (2001), Tonello (2010), and Tonello *et al.* (2011) stress the increasing role of the board of directors (BOD) in the strategic management of CSR. Moreover, board committees have a strategic role to play in achieving corporate legitimacy, accountability, transparency, and strategy formulation (Harrison, 1987; Cartwright & Craig, 2006; Brauer & Schmidt, 2008; Brennan & Solomon, 2008; Horner, 2011; Perrault & McHugh, 2015; Barroso-Castro *et al.*, 2017; Fuentel *et al.*, 2017). Hence, we argue that it is relevant to understand the positioning of the CSR agenda at a strategic level of decision-making. More specifically, this paper examines which factors determine the presence of CSR committees within the BOD. A CSR committee within the BOD is a specific board sub-committee that handles CSR topics such as ethics, environment, community engagement or health and safety (ISO 26000). As those committees are not specifically regulated, there is no established definition of a CSR committee. Based on the ISO 26000 definition of social responsibility and Environmental, Social and Governance (ESG) criteria of responsible investment principles (UN PRI, 2016), we included as CSR committees all formalized sub-committees, separated within the board, entitled as follow: ethics committee, sustainable development committee, environment, health, and safety committee or any combination of them. These committees take care of regulated as well as non-regulated CSR issues, whether they concern the environment, ethics or social questions.

The presence of this type of committee in companies within non-financial industries in the STOXX Europe 600 Index doubled, from 9.03% to 18.27%, between 2006 and 2011. The yearly increases are shown in Table 1. According to Kinderman (2013), the CSR policies of the European Union changed from being social-liberal to neo-liberal in 2006 and returned to being social-liberal in 2011. Therefore, the period between 2006 and 2011 was a decisive period in European CSR history, when there was a struggle to achieve legitimacy for CSR. Kinderman (2013) argues that the financial crisis re-empowered CSR standard-setters, as could be seen with the proposition of a Green New Deal (UNEP, 2011). The growing

Table 1: Presence of CSR Committees within Boards of companies within non-financial industries in the STOXX Europe 600 Index between 2006 and 2011

Period	Board CSR Committee		Total number of companies	Percent
	Not Present	Present		
2006	383	38	421	9.03%
2007	380	44	424	10.38%
2008	377	49	426	11.50%
2009	369	58	427	13.58%
2010	358	69	427	16.16%
2011	349	78	427	18.27%
Total	2216	336	2552	13.17%

number of investors' interest in the normalisation of firms' ESG performance (for example, the creation of the UN principles for responsible investment in 2006) can also be assumed as an explanation. Moreover, the ISO 26000 standard adopted at the end of 2010 was progressively disseminated to the business committee as of 2011, opening a new era for social responsibility engagement in the business community.

Our goal is to understand the conditions in which companies have a CSR committee within the BOD. It is difficult for stakeholders of a company to measure CSR. Therefore, when a CSR committee is established within a BOD, this can be interpreted as a signal from board directors to the stakeholders that CSR issues are being considered at a strategic level in the company. Porter & Kramer (2006) also argue that CSR should be integrated into organizational processes. Moreover, stakeholder theory implies the creation of governance structures (Donaldson & Preston, 1995) and in this perspective, Luoma & Goodstein (1999) stress the need for structures, especially within the BOD, that can respond to stakeholder concerns.

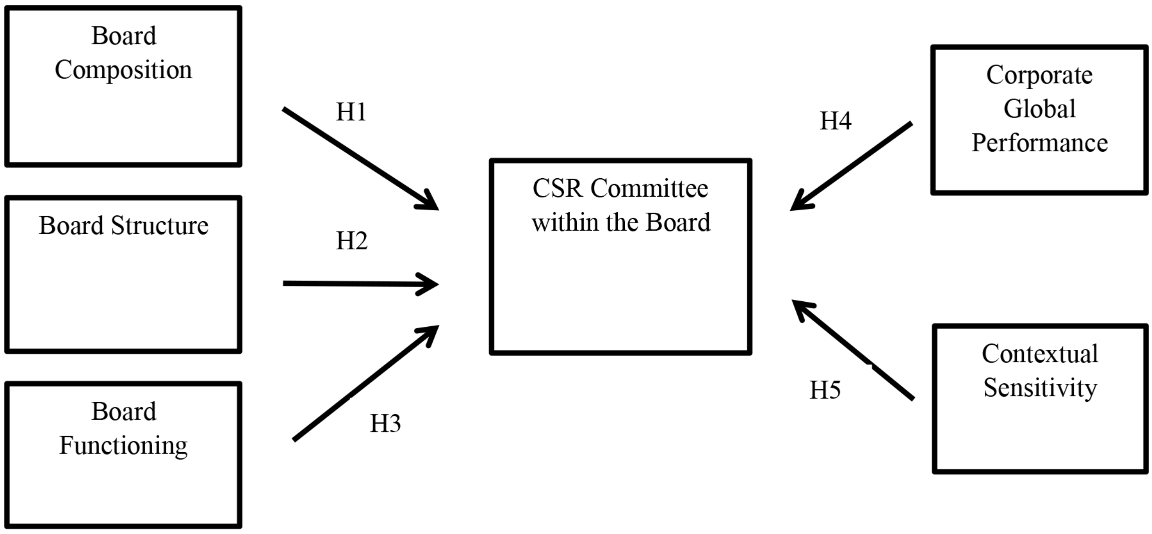
Earlier studies have addressed attributes of the BOD – such as diversity, independence, directors' ethical training, financial and extra-financial expertise – that determine a better social performance and more CSR transparency (Harjoto & Jo, 2011; Jizi *et al.*, 2014; Rao and Tilt, 2016; Shaukat *et al.*, 2016; Fuentel *et al.*, 2017; McGuinness *et al.*, 2017; Galbreath, 2018). Our study focuses on an overlooked board attribute, the specialisation of function through the presence of a CSR committee. It assesses whether this need for a CSR-specialized governance structure is met by companies. It does so by analysing when CSR committees are present within BODs. The variety and number of board sub-committees has increased since the 1960s, and CSR committees first started to appear in the 1970s (Harrison, 1987). However, very few studies of these CSR committees have been carried out. Thus, the research presented here is essentially exploratory and will hopefully lead to more extensive investigations.

Our starting point is that not all responsible companies choose to create a distinct CSR committee within the BOD; some of them rather consider that CSR is an integral part of every strategic formulation for each board director. Then, the question raised is to understand when a CSR committee is seen as a necessary tool for integration of CSR into the strategy of the company. Numerous factors can explain this choice, starting from the effectiveness in board processes for CSR, the level of corporate social performance, or a high contextual sensitivity to CSR. To understand the presence of a CSR committee within the BOD, first we develop a theoretical framework and hypotheses. Following this, we present the data, methods and empirical results. Then we discuss the theoretical and practical implications of the findings, the limitations of the study and potential avenues for further research.

1. DEVELOPMENT OF HYPOTHESES

Many actors put pressure on companies to achieve social change (Aguilera, Rupp, Williams, & Ganapathi, 2007). Here, we build on Golden & Zajac (2001) to determine the variables that could influence the presence of a CSR committee within a BOD aimed at achieving strategic changes for CSR. The first factors might lie in the board itself, as Golden & Zajac (2001) argue that boards will influence strategy if they have the power and inclination to achieve strategic change. Menon & Williams (1994) and Fiss & Zajac (2004) argue that a board sub-committee may be created to improve the company's image, without the board being really engaged with the issues the committee is supposed to address. Recent publications have however provided empirical results that contradict this view. Danvila del Valle, Diez Esteban, & Lopez de Foronda (2013) stress the importance of the presence of a CSR committee within a BOD to CSR performance, especially when the CSR committee is composed of independent directors. Moreover, Eccles, Ioannou, & Serafeim (2011) provide

Figure 1: Determinants of the Presence of a CSR Committee within the Board of Directors



empirical evidence that companies with a strong sustainability culture tend to create a CSR committee within their BOD. Also, the existence of a CSR committee within a BOD has been found to be positively associated with social involvement to the community (Mallin & Michelon, 2011). Therefore, when developing our hypotheses, we considered that the presence of a CSR committee within a BOD signals that CSR is indeed already present in the company's strategic processes. Other factors, relative to the firm itself or external, can explain the presence of a CSR committee. As we will explain later, the size of the firm, the nature of its activities but also the regulatory environment can also have an impact.

Consequently, in this study, we first test the distinctive features of the BOD that might explain the presence of a CSR committee within a BOD. We build upon the Forbes & Milliken (1999) model about the effectiveness of board processes to formulate hypotheses about the composition, structure and functioning of the board (hypotheses H1 to H3, respectively). We also proposed hypotheses related to the specificities of the firm and the context in which it operates (hypotheses H4 and H5, respectively).

Therefore, the model we propose to test the determinants of the presence of a CSR committee within a BOD is based on 5 factors summarized in Figure 1.

A. A cognitive perspective of group decision-making to understand board dynamics

Elkington (2006: 524) states that "The better the system of corporate governance, the greater the chance that we can build towards genuinely sustainable capitalism". Moreover, Beltratti (2005) argues that good governance and CSR are complementary and that companies that adopt both are more respected and have higher market value than those that do not. Also, Ntim & Soobaroyen (2013) found that better governed companies are more likely to have stronger CSR practices.

Towards the end of the 1990s, studies of BODs and strategies have shifted from a normative to a cognitive approach (Pugliese *et al.*, 2009). Rindova (1999) identifies the cognitive contributions of board directors, especially in relation to strategic decision-making, and states that they are characterized by a high level of uncertainty and complexity. The three cognitive tasks – scanning, interpreting, and choosing – as described by Rindova (1999), are particularly useful in managing the diverse goals of different stakeholders. Porter and Kramer (2006) propose that companies should map the social impacts of their value chain and prioritize them to generate the greatest shared value. Board directors can then use the three cognitive tasks identified by Rindova (1999) to achieve this aim. Cognitive and disciplinary approaches to corporate governance are complementary and evolve over time (Aoki, 2001). Knowledge of innovation processes is progressively acquired by a company, and cognitive approaches are required more at the beginning of the organizational learning process, whereas disciplinary approaches are more required in the later stages, when company processes tend to change less. In light of the foregoing, we adopted a cognitive approach to examine companies that innovate in their internal processes by creating a CSR committee within a BOD. In the development of our hypotheses, we build on the Forbes & Milliken (1999) model about the effectiveness of board processes by identifying different variables about the composition of the board, its structure and its functioning that altogether determine the cognitive capacity and power of the board. Therefore, if many of these attributes on which the cognitive capacity and the power of the BOD depend are already present, we can also suppose that it is no longer useful for the company to create a dedicated committee, especially in the context of implicit CSR and scarcity of resources.

B. Hypotheses on the composition and structure of the board

One of the most important features of efficient boards is their capacity to foresee a variety of issues and to bring distinct logic in the analysis of the business environment of the firm and the evaluation of its strategy. This feature is conceptualised by Forbes & Milliken as cognitive conflict, and defined as "task-oriented differences in judgment among group members". They explain that "the existence of cognitive conflict on the board can serve to remind management (…) of the importance of considering shareholder interests in the formulation of strategy even beyond the boardroom" (1999: 494). Independent and women directors can increase the variety of points of view, as suggested by the concept of cognitive conflict. This may also be true of separating the functions of CEO and chairperson (non-duality of responsibilities). To these variables, we added the average age of the board, given that younger people tend to be more sensitive to CSR issues. We develop hereafter our arguments concerning each variable.

According to Wang & Dewhirst (1992), independent board directors have different stakeholder orientations than do non-independent directors. Rindova (1999) argues that board directors are general experts in problem-solving and that this can counterbalance their lack of specific knowledge about the firm itself, which is the case when they are independent board directors. More specifically, Danvila del Valle *et al.* (2013) found that the presence of a higher proportion of independent board directors was positively related to CSR performance. Harjoto & Jo (2011) concluded from their study of firms within Russell 2000, S&500 and Domini 400 indices during the 1993-2004 period that board independence is among the companies' board attributes that are positively associated with the choice to engage with CSR. Shaukat *et al.* (2016) developed a theoretical model that made explicit the links between a firm's CSR-related board attributes, its board CSR strategy, and its environmental and social performance, then tested it using a structural equation modeling approach. They found that board's independence and gender diversity determine more proactive and comprehensive CSR strategy and higher environmental and social performance. Other studies (Post, Rahman, & Rubow, 2011; Zhang, Zhu, & Ding, 2013; Mallin & Michelon, 2011; Webb, 2004) demonstrated that a greater presence of independent board directors is associated with a stronger environmental performance. When women are present on the BOD, there is likely to be more diversity and a greater likelihood of cognitive conflicts between board directors (Muller-Kahle & Lewellyn, 2011). Also, according to Boulouta (2013) and Qi (2018), more women on the BOD leads to stronger corporate social performance, which, it is argued, is especially caused by the generally more empathic and caring nature of women in contrast to men. The presence of a higher proportion of female board directors was found to be related to higher firms' CSR engagement and CSR ratings by Bear *et al.* (2010), Zhang *et al.* (2013), Mallin & Michelon (2011), Webb (2004), Rao *et al.* (2016), Shaukat *et al.* (2016), Fuentel *et al.* (2017, McGuinness *et al.* (2017), and Galbreath (2018). In addition, Post *et al.* (2011) found that boards with at least three women directors were associated with stronger corporate environmental performance, while Schwartz-Ziv (2013) found that boards with increased gender-balance achieve stronger financial performance and are more active.

CEO duality means that the CEO is also the chairman of the board, and this leads to less cognitive conflict than CEO non-duality, that is, when the CEO and the chairman of the board are not one and the same person. Wang & Dewhirst (1992) found that CEO board directors and non-CEO board directors view stakeholders differently. Socially responsible companies are less likely than non-socially responsible companies to have CEO duality (Webb, 2004). CEO duality has been also found to be negatively associated with corporate social performance by Mallin & Michelon (2011).

Finally, the average age of the board seems an appropriate variable to be tested since younger individuals demonstrate more knowledge of environmental issues than do older individuals (Diamantopoulos, Schlegelmilch, Sinkovics, & Bohlen, 2003). Gendron (2012) also showed that younger high managers are more aware of the environmental issues than their older colleagues. Moreover, companies that have a lower average age of top managers are more likely to undergo strategic change (Wiersema & Bantel, 1992). Wu, He, Duan, & O'Regan (2012: 244) state that "the question is not whether companies should make strategic change toward sustainability, but how quickly and how well companies can make such change and find new opportunities from the market environment".

In light of the above, we propose the following hypotheses:

Hypothesis 1a: A CSR committee within the BOD is more likely in companies with younger board directors.

Hypothesis 1b: A CSR committee within the BOD is more likely in companies with a higher proportion of independent board directors.

Hypothesis 2a: A CSR committee within the BOD is more likely in companies in which the CEO is not also the chair of the board.

Hypothesis 2b: A CSR committee within the BOD is more likely in companies with a higher proportion of women on the board.

C. Hypotheses on board functioning

Forbes & Milliken (1999) first define the functioning of the board through its efforts, measured by the time allocated to its different tasks. We considered the number of board meetings and board attendance as proxies for board functioning. Raghunandan & Rama (2007), in their study of the audit committee within the BOD, used the number of meetings of a committee as a quantitative, publicly available measure of the diligence of the committee. The authors stress that the Securities and Exchange Commission also recommends having several meetings to foster the circulation of information and that previous research has demonstrated that a higher number of meetings improves the quality of financial reporting. Cornforth (2001) argues that board meetings and board attendance, in particular, are suitable variables for measuring board effectiveness.

In light of the above, we propose the following hypotheses on board effort:

Hypothesis 3a: A CSR committee within the BOD is more likely in companies that have more board meetings.

Hypothesis 3b: A CSR committee within the BOD is more likely in companies with higher board attendance.

D. Hypotheses on corporate global performance and contextual sensitivity

a. Corporate global performance variables

Hung (2011) argues that, from a stakeholder perspective, directors have a social responsibility and states that their "direction-setting role" is related to corporate performance. Corporate global performance includes the social, environmental, and economic performance of a company. The role of an effective CSR committee within a BOD is to foster CSR in strategic decisions; therefore, we suggest that corporate global performance variables should be positively associated with the presence of this sub-committee. We considered three corporate global performance variables: the first two concern more specifically social performance: belonging to a CSR index, and ESG disclosure; the third concerns financial performance, and is also linked to social performance. Belonging to a CSR index signifies that a company has higher social, environmental, and economic ratings than other companies. To achieve this requires the strong involvement of the board in addressing CSR issues. Danvila del Valle and al. (2013) found that the presence of a CSR committee within a BOD is associated with inclusion in a CSR index.

The aim of ESG disclosure is to promote sustainability practices among companies, and disclosure can be on a voluntary basis or enforced by regulation. For example, the *Nouvelles Régulations Economiques* law in France has obliged listed companies to undertake social and environmental reporting since 2001, and the BOD is legally responsible for the report. Large companies that are not listed have also been required to undertake CSR reporting in France since 2012. We suggest that, particularly because of such laws, board directors will have an increased knowledge of ESG disclosure and that this can make the creation of a CSR committee within a BOD more likely, particularly when CSR reporting is required. Ioannou & Serafeim (2011) found that mandatory ESG disclosure positively influences social and environmental performance. Also, according to empirical evidence presented by Mallin, Michelon, & Raggi (2013), social and environmental disclosure is likely to be positively linked to stakeholder orientation of corporate governance.

The link between financial performance and CSR engagement has been largely studied (see e.g., Orlitzky, Schmidt, & Rynes, 2003; Waddock & Graves, 1997). Notably, Allouche & Laroche (2005) in a meta-analysis found 49 positive associations, 6 negative, 17 mixed and 21 non-significant. Campbell (2006: 929) states that "firms whose financial performance is strong are more likely to engage in socially responsible corporate behavior than firms whose financial performance is weak". Financial performance can thus also contribute to the presence of a CSR committee as a means to enhance CSR performance. In summary, corporate global performance as assessed by the presence in a CSR index, ESG disclosure practices and financial performance should influence positively the presence of a CSR committee. This leads to the following three hypotheses:

Hypothesis 4a: A CSR committee within the BOD is more likely in companies belonging to a CSR index.

Hypothesis 4b: A CSR committee within the BOD is more likely in companies with stronger ESG disclosure.

Hypothesis 4c: A CSR committee within the BOD is more likely in companies with stronger financial performance.

b. Contextual sensitivity variables

Contextual sensitivity can be described as the sensitivity of companies to CSR issues due to specific characteristics of the firm and its environment. Pugliese *et al.* (2009) suggest that it is important to study factors specific to the context of each company when assessing the contribution of the BOD to strategy. Therefore, we examined how the presence of a CSR committee within a BOD is related to the following contextual sensitivity variables: firm size, jurisdiction and industry type.

Davis, Whitman, & Zald (2006) suggest that the role of large multinational companies is important in the diffusion of best social practices amongst other companies through suppliers and other contractors. Larger firms, given their high visibility, high level of access to resources, and large operational scale, are more likely to participate in CSR (Udayasankar, 2008). Also, Artiach, Lee, Nelson, & Walker (2010) found that larger companies have better corporate social performance.

In our study, to identify how legal regulations can influence the presence of a CSR committee within a BOD, we compared companies with headquarters in European countries that apply common law to those applying civil law. La Porta, Lopez-de-Silanes, Shleifer, & Vishny (1998) distinguish between several legal systems.

More recently, Cicon, Ferris, Kammel, & Noronha (2012) reassessed these legal systems, based on their prevailing national corporate governance structures. However, they kept the taxonomy used in La Porta *et al.* (1998), which was broadly, common law and civil law, and we use the same taxonomy in this study. Hence, we group French, German and Scandinavian countries under "civil law countries" while we assign the United Kingdom and the Republic of Ireland to "common law countries". La Porta *et al.* (2008: 326) explain the fundamental divergence between these two legal traditions in terms of the "policy implementing focus of civil law versus the market-supporting focus of common law". Matten & Moon (2008) argue that CSR is an explicit corporate element in liberal market economies, whereas it is an implicit corporate element in coordinated market economies. Therefore, a need to be explicit about CSR issues may predict the need for companies to establish a CSR committee within their BOD when operating in common law countries.
One of the determinants of the impact of industry on social and environmental responsibility, according to Hoepner, Yu, & Ferguson (2010), is their potential for social and environmental damage. The basic materials category within the industry classification benchmark (ICB) owned by the Financial Times Stock Exchange (FTSE, 2012) contains the chemicals, forestry and paper, industrial metals, and mining industries, and these are some of the most detrimental industries in terms of ecological impact and effects on human health. Stakeholders therefore expect BODs in these industries to pay a great deal of attention to social and environmental issues.
In light of the above, we propose the following hypotheses on contextual sensitivity:

> *Hypothesis 5a: A CSR committee within the BOD is more likely in larger companies than in smaller companies.*
>
> *Hypothesis 5b: A CSR committee within the BOD is more likely in companies that have headquarters in common law countries.*
>
> *Hypothesis 5c: A CSR committee within the BOD is more likely in companies in the basic materials industry.*

Next, we describe the data sample, measures for the variables, and descriptive statistics together with our justification for the use of binary logistic regression in the subsequent analysis.

2. DATA AND METHODS

A. Sample

We performed a firm-level analysis of 427 companies within non-financial industries per year that were in the STOXX Europe 600 Index of the period 2006–2011 (six years), just before the ISO 26000 standard was disseminated to the business community. Our sample consisted of an unbalanced panel with 2562 firm–year observations. We used a European sample following Cicon *et al.* (2012). They argue that because the largest European companies are active on the global scale, this allows an assessment of the impact of different legal systems on these companies.

B. Measures of the variables

Annual company reports provide only a certain amount of information on the social and environmental performance of companies because these reports are currently seen primarily as a communication tool (Caron & Gendron, 2012). Therefore, we used the Bloomberg database to access information on the companies in our sample because it is widely recognized as a good source by the business community due to the reliability of its data. Table 2 gives the measures and sources of the dependent variable and independent variables.
We also developed a collaborative relationship with the Sustainable Asset Management (SAM) organization, which is based in Zurich, Switzerland. This organization is one of the market leaders in assessing and integrating financial and non-financial data, and its index team has determined which companies should be listed in the Dow Jones Sustainability Indices each year since 1999. Sustainable Asset Management uses a best-in-class industry-specific approach to assess information provided directly by companies through an online questionnaire and companies also provide documentation to support their answers. The corporate sustainability assessment used by SAM has a question level, a criterion level, and a social/environmental/economic dimension level. Each level is weighted (as a percentage) to allow a total sustainability score to be calculated, as described in their publicly available methodological guidelines (SAM, 2012). Sustainable Asset Management invites the world's largest 2500 publicly traded companies to participate in this corporate sustainability assessment. We used, in our investigation, the Dow Jones Sustainability Europe Index membership list provided by SAM as their assessment of corporate social performance is based on the same 600 largest European companies as our sample data. Several research studies have been conducted using the Dow Jones Sustainability Indices, including Artiach *et al.* (2010), Eccles, *et al.* (2011) and Danvila del Valle, *et al.* (2013). SAM became RobecoSAM in 2013.

C. Descriptive statistics

The descriptive statistics for our sample, with the number of observations, the minima, maxima, means, and standard deviations, are shown in Table 3. In addition, the table includes information on the type of law applied in the countries in which the companies in the sample are established and on the industries to which the companies are assigned by the Industry Classification Benchmark (ICB).

Table 2: Measures of Variables

Variable code	Variable name	Type of variable	Definition	Source
BOARD AGE	Age of board directors	Continuous	Average age of the board directors	Bloomberg
BOARD ATTENDANCE	Board attendance	Continuous	Percentage of members in attendance at board meetings	Bloomberg
BOARD INDEPENDENCE	Independent board directors	Continuous	Percentage of independent board directors	Bloomberg
BOARD MEETINGS	Board meetings	Continuous	Number of board meetings per year	Bloomberg
BOARD SIZE	Board size	Continuous	Number of full-time directors on the company's board. Where the company has a supervisory board and a management board, this is the number of directors on the supervisory board.	Bloomberg
BOARD WOMEN	Female board directors	Continuous	Percentage of female board directors	Bloomberg
CEO DUALITY	Chief Executive Officer (CEO) duality	Binary	1 = CEO is also chairman of the board of directors (BOD) 0 = CEO is not chairman of the BOD	Bloomberg
ESG DISCLOSURE	Environmental, social and governance disclosure	Continuous	Proprietary Bloomberg score based on the extent of the company's environmental, social and governance disclosure. The score ranges from 0.1 for companies that disclose a minimum amount of data to 100 for those that disclose every data point collected by Bloomberg. Each data point is weighted in terms of importance.	Bloomberg
FINANCIAL PERFORMANCE	Corporate financial performance	Continuous	Return on Equity = (T12 Net Income Available for Common Shareholders/Average Total Common Equity) × 100	Bloomberg
FIRM SIZE	Firm size	Continuous	Logarithm of the firm's total assets in the balance sheet	Bloomberg
INDUSTRY BASIC MATERIALS	Firm membership of a basic materials industry	Binary	Membership of the industry named Basic Materials in the Industry Classification Benchmark (ICB) classification	Bloomberg
COMMON LAW	Domiciled in a common law country	Binary	1 = common law country 0 = civil law country based on taxonomy by La Porta, Lopez-de-Silanes, Shleifer, & Vishny (1998)	Bloomberg
CSR COMMITTEE	CSR committee within the BOD	Binary	1 = Presence of CSR committee within the BOD 0 = Absence of CSR committee within the BOD	Bloomberg and annual reports
CSR INDEX	Belonging to a Corporate Social Responsibility (CSR) index	Binary	Belonging to the Dow Jones Sustainability Europe Index as defined by Sustainability Asset Management (SAM) based in Zurich	SAM

D. Binary logistic regressions

We carried out a panel data regression analysis for years 2006–2011. Our dependent variable was binary and took a value of 1 when a CSR committee was present within the BOD and 0 otherwise. We used binary logistic regression analysis to predict the presence of a CSR committee using the variables defined above and the following model:

CSR COMMITTEE = a + b_1 BOARD AGE + b_2 CEO DUALITY + b_3 BOARD WOMEN + b_4 BOARD INDEPENDENCE + b_5 BOARD MEETINGS + b_6

Table 3: Descriptive Statistics

Variable	Number of observations*	Minimum	Maximum	Mean	Standard deviation
BOARD AGE	1582	46.70	70.42	57.50	3.76
BOARD ATTENDANCE	1585	50.00	100.00	93.42	6.02
BOARD INDEPENDENCE	1942	10.00	100.00	58.56	19.45
BOARD MEETINGS	2002	2.00	36.00	8.58	3.44
BOARD SIZE	2270	4.00	25.00	11.21	3.80
BOARD WOMEN	2227	.00	83.33	11.78	11.01
CEO DUALITY	2259	0	1	.14	.34
ESG DISCLOSURE	2263	.83	76.33	33.00	16.76
FINANCIAL PERFORMANCE	2467	−134.14	198.65	19.88	22.25
FIRM SIZE	2546	1.51	5.43	3.82	.63
CSR COMMITTEE	2552	0	1	.13	.34
CSR INDEX	2562	0	1	.28	.45
CIVIL FRENCH LAW	2562	0	1	.32	.47
CIVIL SCANDINAVIAN & GERMAN LAW	2562	0	1	.36	.48
COMMON LAW	2562	0	1	.33	.47
INDUSTRY BASIC MATERIALS	2562	0	1	.12	.32
INDUSTRY CONSUMER GOODS	2562	0	1	.15	.36
INDUSTRY CONSUMER SERVICES	2562	0	1	.16	.36
INDUSTRY HEALTHCARE	2562	0	1	.07	.26
INDUSTRY INDUSTRIALS	2562	0	1	.27	.44
INDUSTRY OIL AND GAS	2562	0	1	.07	.26
INDUSTRY TECHNOLOGY	2562	0	1	.05	.22
INDUSTRY TELECOM	2562	0	1	.04	.21
INDUSTRY UTILITIES	2562	0	1	.06	.23

* Years 2006-2011 in total

BOARD ATTENDANCE + b_7 CSR INDEX + b_8 ESG DISCLOSURE + b_9 FINANCIAL PERFORMANCE + b_{10} FIRM SIZE + b_{11} LAW COMMON + b_{12} INDUSTRY BASIC MATERIALS + e

We used random effects estimations because our panel is unbalanced and we do not have important within-panel variations over time, which would otherwise require fixed effects estimations to give efficient estimates (Zhou, 2001). Note that the board characteristic variables, including board age and CEO duality, were stable for each company from one year to the next. In the following section, we present the empirical results of the univariate analyses, correlations, and binary logistic regression analyses.

3. RESULTS

A. Univariate analyses

We carried out univariate analyses to determine whether companies with a CSR committee within their BOD have an effective board, high corporate global performance, and high contextual sensitivity to CSR. It can be seen from Table 4 that, with respect to the board variables, companies with a CSR committee within their BOD had a higher average board age ($t = -3.91$, $p < .001$), were more likely to have a CEO who is also

Table 4: Univariate Analysis Results of T-tests Used to Compare the Means

	Absence of a CSR Committee within the BOD	Presence of a CSR Committee within the BOD	
Variable	**Mean**	**Mean**	**T-Stat**
BOARD AGE	57.35	58.38	−3.91***
BOARD INDEPENDENCE	58.69	57.98	.72
CEO DUALITY	.12	.22	−4.05***
BOARD WOMEN	12.01	10.29	2.97**
BOARD SIZE	11.12	11.71	−2.82**
BOARD MEETINGS	8.53	8.82	−1.33
BOARD ATTENDANCE	93.44	93.46	.06
CSR INDEX	.26	.40	−5.25***
ESG DISCLOSURE	32.05	39.23	−7.09***
FINANCIAL PERFORMANCE	19.72	20.84	−.85
FIRM SIZE	3.77	4.12	−9.36***
COMMON LAW	.29	.59	−10.66***
INDUSTRY BASIC MATERIALS	.10	.22	−5.21***

† p < .10, * p < .05, ** p < .01, *** p < .001

chair of the board (t = −4.05, p < .001), had fewer women on the board (t = 2.97, p < .01), and had a larger board size (t = −2.82, p < .01). The significant corporate global performance variables given in Table 4 show that companies with a CSR committee within their BOD had stronger corporate global performance: they were more likely to belong to a CSR index (t = −5.25, p < .001) and to have a higher level of ESG disclosure (t = −7.09, p < .001). With respect to the contextual sensitivity variables, we found that companies with a CSR committee within their BOD were more likely to be larger (t = −9.36, p < .001), to have headquarters in common law countries (t = −10.66, p < .001), and to be in the basic materials industry (t = −5.21, p < .001). As discussed earlier, contextual sensitivity and global performance are likely to be high for companies with a CSR committee within their BOD. These univariate analyses may suggest that companies that have created a CSR committee are indeed inclined to achieve strategic changes for CSR and that they created them as tools to enhance CSR. But they may also be indicative of an explicit and symbolic response in the absence of hard laws or an implicit CSR tradition to a growing public concern about the impacts of large and highly profitable firms in resource-intensive sectors where both environmental and human risks are higher.

B. Correlations

Before testing our hypotheses using binary logistic regression analyses, we controlled for multi-collinearity. First, we tested all of the variables for normality using the STATA Skewness–Kurtosis test (sktest), and the variables were not found to be normally distributed. Therefore, we conducted a Spearman correlation test between the independent variables to minimize multi-collinearity a priori (see Table 5). Board size had a correlation coefficient higher than .5 (.58) with firm size. We decided to consider firm size instead of board size for our regression analysis for three reasons. First, the correlation coefficient of the presence of a CSR committee within the board was higher with firm size than with board size (respectively .18 and .08 in Table 5). Second, the T-test of means was more significant of firm size than of board size (respectively p < .001 and p < .01 in Table 4). Third, we obtained the same results in regressions run with board size instead of firm size in terms of coefficient signs, while the variance explained with firm size was higher than with board size (Nagelkerke R^2 higher).

The results of post-hoc tests for endogeneity with the variation inflation factor (VIF) are also summarized in Table 5. We found that all of the independent variables were below the suggested value of 10; the highest value

Table 5: Spearman Correlation and Variance Inflation Factor (VIF) Tests

		VIF	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	BOARD AGE	1.33	1.00													
2	CEO DUALITY	1.22	**.17**	1.00												
3	BOARD WOMEN	1.22	**–.12**	.01	1.00											
4	BOARD INDEPENDENCE	1.35	**.28**	**–.06**	**.22**	1.00										
5	BOARD SIZE	2.06	**.05**	**.23**	–.00	**–.27**	1.00									
6	BOARD MEETINGS	1.10	**–.12**	.01	**.11**	.04	**–.17**	1.00								
7	BOARD ATTENDANCE	1.22	**–.09**	**–.24**	.03	**.09**	**–.31**	–.04	1.00							
8	CSR INDEX	1.18	**.10**	**.07**	**.06**	**.11**	**.18**	.02	**–.06**	1.00						
9	ESG DISCLOSURE	1.36	**.13**	**.11**	**.09**	**.09**	**.27**	**.05**	**–.07**	**.31**	1.00					
10	FINANCIAL PERFORMANCE	1.07	**–.11**	**–.06**	.02	–.01	**–.14**	**–.06**	**.09**	.00	**–.08**	1.00				
11	FIRM SIZE	2.46	**.29**	**.20**	**.10**	**–.06**	**.58**	.03	**–.25**	**.39**	**.47**	**–.20**	1.00			
12	COMMON LAW	1.41	**–.24**	**–.24**	**–.10**	**–.06**	**–.22**	**.09**	**.28**	**–.07**	**–.11**	**.10**	**–.29**	1.00		
13	INDUSTRY BASIC MATERIALS	1.03	**.09**	–.04	**–.06**	**.10**	–.02	**–.09**	.04	**–.05**	**.07**	**–.08**	.03	–.02	1.00	
14	CSR COMMITTEE		**.11**	**.10**	**–.04**	.00	**.08**	**.05**	.01	**.11**	**.15**	.02	**.18**	**.22**	**.13**	1.00

was 2.46 and the mean was 1.39. Therefore, there were no multi-collinearity problems after the board size variable was excluded.

Correlation coefficients in bold are significant at $p < .05$ (2-tailed).

The regression model for the VIF test using ordinary least squares is CSR COMMITTEE = f(all independent variables 1–13 listed above).

C. Binary logistic regression analyses

We sought to identify the determinants of the presence of a CSR committee within a BOD by applying four logistic regression models, the results of which are shown in Table 6. Model 1 contained all of the independent variables of interest, whereas Model 4 was more parsimonious, using the variables that were significantly associated with the presence of a CSR committee at $p < .10$. Model 3 was a baseline model comprising only the context-specific CSR sensitivity variables. It can be seen that adding board variables to Model 3, forming Model 2, significantly improved the Nagelkerke R^2, from .23 to .36. Then, Model 1 shows how the corporate global performance variables contributed to improve again the model, changing R^2 from .36 (Model 2) to .40 (Model 1), a much smaller improvement than that obtained by adding board related variables.

Odds ratios Exp(B) higher than 1.10 or lower than 0.90 were considered functionally or practically significant contributions. Using this criterion, Table 6 shows the following. First, concerning the board, a BOD with a CSR committee is 3.98–4.37 times more likely to have CEO duality. But BODs having created a CSR committee do not show characteristics such as youth and diversity generally associated with CSR. Second, concerning corporate global performance, firms with a CSR committee within the BOD are 1.73–1.99 times more likely to belong to a CSR index. Finally, concerning contextual sensitivity, a BOD with a CSR committee is 4.35–6.08 times more likely to be in larger firms, 7.51–17.62 times more likely to be in firms that have headquarters in common law countries, and 3.20–5.88 times more likely to be in firms within the basic materials industry than a BOD without a CSR committee. Thus, a CSR committee is more likely to be created in firms with a high contextual sensitivity.

Tables 7 and 8 summarize the findings in relation to the hypotheses. We found that, with respect to the three hypotheses on board process effectiveness, composition and structure (Table 7), only board duality made a non-trivial difference. Of the hypotheses on corporate global performance (Table 8), belonging to a CSR index made a non-trivial difference, confirming that companies with a CSR committee within their BOD did indeed engage in CSR. Also, the three hypotheses on contextual sensitivity were all supported, demonstrating that a CSR committee within the BOD is likely to be present in high contextual sensitivity companies. It is worth noting that some variables had a much more stronger regression weights than others, which might be of importance to understand why CSR committees are created. The first variable, well ahead of the others, is the common law jurisdiction (7.51–17.62). Secondly, firm size (4.35–6.08) and industry (3.20–5.88) seems equally important to CEO duality (3.98–4.37). All other variables show a regression odds ratio below 2. This points to the fact that contextual sensitivity factors remain the more important despite the improvement of the Nagelkerke R^2 shown by the Model 2 that integrates board variables; indeed, amongst those latter variables, only CEO duality seems to be decisive.

Table 6: Binary Logistic Regression Results

Variable	Model 1		Model 2		Model 3		Model 4	
	CSR COMMITTEE		CSR COMMITTEE		CSR COMMITTEE		CSR COMMITTEE	
	B	Exp(B)	B	Exp(B)	B	Exp(B)	B	Exp(B)
BOARD AGE	.08*	1.09	.08*	1.09			.07*	1.07
BOARD INDEPENDENCE	–.02**	.98	–.02**	.98			–.02***	.98
CEO DUALITY	1.47***	4.37	1.40***	4.06			1.38***	3.98
BOARD WOMEN	–.02†	.98	–.01	.99			–.03**	.97
BOARD MEETINGS	.08**	1.09	.07*	1.07				
BOARD ATTENDANCE	–.02	.98	–.01	.99				
FINANCIAL PERFORMANCE	.02***	1.02					.01**	1.01
CSR INDEX	.69**	1.99					.55**	1.73
ESG DISCOSURE	.01	1.01					.01*	1.01
FIRM SIZE	1.76***	5.82	1.80***	6.08	1.47***	4.35	1.55***	4.64
LAW COMMON	2.87***	17.62	2.81***	16.65	2.02***	7.51	2.36***	10.62
INDUSTRY BASIC MATERIALS	1.77***	5.88	1.67***	5.33	1.16***	3.20	1.41***	4.09
Constant	–13.87***	.00	-14.09***	.00	–8.74***	.00	–12.79***	.00
Sample size	1152		1198		2537		1395	
Number of variables	12		9		3		9	
- 2 Log Likelihood	730.92		785.49		1635.71		905.36	
Nagelkerke R^2	.40		.36		.23		.36	

† p < .10, * p < .05, ** p < .01, *** p < .001
The estimated equation using binary logistic regressions is CSR COMMITTEE = f(all independent variables listed above).

Table 7: Board Power to Enhance CSR Hypotheses Verification

Hypothesis number	Hypothesis	Result
	There is more likely to be a CSR committee within the board in companies …	
	….with higher board use of social knowledge and skills, therefore:	
1a	having younger board directors.	Rejected
1b	with a higher proportion of independent directors on the board.	Rejected
	….with higher board cognitive conflict, therefore:	
2a	where the chief executive officer is not also the chair of the board.	Rejected
2b	with a higher proportion of women on the board.	Rejected
	….with higher board effort, therefore:	
3a	with more board meetings.	Inconclusive
3b	with higher board attendance.	Inconclusive

Table 8: Board Inclination for CSR Hypotheses Verification

Hypothesis number	Hypothesis	Result
	There is more likely to be a CSR committee within the board in companies …	
	… with higher corporate social performance, therefore:	
4a	belonging to a CSR index.	Supported
4b	with stronger environmental, social and governance disclosure.	Inconclusive
4c	with stronger financial performance.	Inconclusive
	… with higher context-specific CSR sensitivity, therefore:	
5a	with larger firm size.	Supported
5b	having headquarters in common law countries.	Supported
5c	in the basic material industry.	Supported

4. DISCUSSION

Our findings have theoretical and practical implications that we present below. Our study brings a number of nuances into the often taken-for-granted positive link between firms' governance attributes and quality, on one hand, and their CSR performance and engagement, on the other. It provides empirical support to the earlier claim about the necessity of adopting sound governance structures to achieve strategic CSR. However, our empirical investigation results seem to imply that the presence of a CSR committee at the board level is a choice among others, mostly explained by:

– variety of capitalism: higher occurrence in common-law countries;
– strategic choice (agency-viewpoint and needs for legitimacy): more present in large, highly profitable firms, displaying CEO duality, and operating in resource-intensive sectors, and;
– resource-based logics: more frequent in large firms and less frequent in smaller ones and in those which have already chosen to adopt other governance "best-practices" such as gender-diversity, youthening, independence-enhancement of the BOD.

Although prior studies have demonstrated that CSR committees are likely to be created to achieve better corporate social performance by companies already showing good CSR performance, most of them were focused on only one set of factors (for example, the BOD's composition or structure or functioning) overlooking the others and their possible offsetting with each other in contexts of varying national business systems, strategic choice, and resource-scarcity.

First of all, not surprisingly, our study demonstrates that the common law jurisdiction is the most important variable explaining the presence of a CSR committee. Firm size and the industry favour CSR committee, but the most important factor remains the jurisdiction, companies operating in common law countries being more likely to have a distinct CSR committee in the board than companies operating in civil law countries. Coupled with firm size and industry, the jurisdiction weight in the regression results confirms the predominance of contextual sensitivity in explaining this feature of boards. As Matten and Moon (2004) hypothesized, common-law countries generally belong to liberal-market economies where non-mandatory explicit CSR practices are more likely to be found. The creation of CSR committees within the BOD is an example of such a practice. In UK and other Liberal-market economies countries, despite the advent of governance reforms and hence that of codes, rules and guidelines from the beginning of 2000s, CSR-function-specialisation at the board level has not become regulated. Our study also corroborates the findings of earlier ones such as that of Igalens *et al.* (2008) which showed that Liberal-market economies-bound companies are more likely to adopt corporate governance "best practices" and score higher on governance dimensions, comparatively to companies in other contexts (European continental, Social-democrat, and Mediterranean).

Second, our findings back assumptions from the agency and legitimacy perspectives on corporate strategic choice. We found that CEO duality fosters CSR committees. Although that contradicts the findings of past studies which linked CEO duality negatively with CSR performance (for example, Webb, 2004; Mallin and Michelon, 2011), that is consistent with an agency-theoritical logics. Powerful CEOs, holding dual functions, might favour other governance practices to counterbalance suspicions arising from their lack of independence, thus signalling to shareholders their trustworthiness. A similar conclusion was reached by Jizi *et al.* (2014) in their study of the positive link between CEO duality and voluntary disclosure in the US banking sector. They suggest among other possible explanations: private reputational concerns, managerial risk aversion, and the pressure to appease stakeholders' concerns about probable power abuse. In addition to CEO duality, our study found financial performance, size and sector sensitivity as determinants of the presence of a CSR committee within the BOD. It can be implied from those findings that companies choosing to adopt such a practice do so strategically, follow a pragmatic legitimacy logic. That seems even more predictable in Liberal-market economies or common-law countries where explicit and symbolic response is more frequent in the absence of hard laws or an implicit CSR tradition to a growing public concern about the impacts of large and highly profitable firms in resource-intensive sector where both environmental and human risks are higher. That is also consistent with the fact that to a lesser extent, inclusion in a CSR index is linked to the presence of a CSR committee, as our results imply. This variable may be a proxy for governance efforts, as suggested by its high correlations with firm size and ESG reporting. And we found that it cannot be reduced to circularity given their correlation coefficient.

Third and lastly, we found that with the notable exception of CEO duality, the board structure, composition and functioning are barely correlated to the presence of a CSR committee. This may seem surprising given the opposite claims from earlier studies which linked positively BOD's diversification (in age and gender) and functioning (number of meeting and attendance) with CSR performance. However, our results suggest that such conclusions must be handled with caution. Regarding the average age of the board, even if there is a correlation between this variable and the presence of a CSR committee, the difference is only one year: directors in board having a CSR committee are 58,38 years old whereas directors in board not having such committee are 57,35 years old. The group differences for independent and women directors on the board were also very small. But most importantly – and here lies another contribution of our study –, the fact that the structure and composition of the board does not seem to have a real significant impact on the presence of CSR committees can be understood from a resource-based logic. When used to explain corporate social strategy, the resource-based approach allows an understanding of the adoption of CSR activities as the result of a resource-allocation' s choice which would help the company to achieve long-term social objectives while creating a competitive advantage (Bowen, 2007). In a context of resource scarcity, a company will thus choose some practices over some others. Moreover, it will not invest in practices the objectives of which are already met by existing ones. Such assumptions were absent from prior studies about the link between BOD's attributes and the presence of a CSR committee (for example, Menon & Williams, 1994; Fiss & Zajac, 2004). In light of our results, it could be argued that to the extent that the presence of a CSR committee is a reflection of corporate social strategy, especially in a context of resource scarcity, it occurs less in companies which have already developed their BOD's cognitive competencies through gender-diversification, youthening, and independence.

CONCLUSION

In this exploratory study, our goal was to understand the factors influencing the presence of a CSR committee. Our results confirm the conclusion of Eccles, Ioannou & Serafeim (2011) and of Danvila del Valle and al. (2013) that CSR committees are created in companies already showing a good social performance as reflected by inclusion in a CSR index. However, our results do not confirm other studies about the effect of younger, independent or women directors on board engagement towards CSR. Given that CEO duality does have a significant effect on the presence of a CSR committee, our research seems to confirm the difference of view between CEO directors and CEO non directors showed by Wang & Dewhirst (1992). But contrary to Webb (2014), we found that CEO duality goes hand in hand with the presence of a CSR committee.
We found that different elements were determinants of the presence of a CSR committee within a BOD. The more important factor is the jurisdiction in which the company operates: in common law countries, CSR committees are more likely to be created than in civil law jurisdictions. Moreover, it seems that companies having a CEO that is also chair of the board tend to create those committees more than companies where those responsibilities are separated. This last factor is as important as firm size or the industry to which the company belongs.
If they contradict or do not corroborate some former analysis, the findings from our study are indeed consistent with combined assumptions from the variety of capitalism, strategic choice (agency and legitimacy), and resource-based perspectives. Hence, our study contributes to the non-stabilized literature on the link between CSR and governance by nuancing prior hypotheses and findings about the determinants of the presence of a CSR committee within a BOD.
It is hoped that the results of this cross-cultural study will contribute to understanding the choices of CSR governance structures among practitioners and policy makers. A CSR committee within a BOD can play an important role by continually prioritizing CSR problems, identifying solutions and regularly reporting to the board of directors. It thus represents a response to Porter & Kramer's (2006: 92) suggestion that firms concentrate their efforts on identifying "the particular set of societal problems that it is best equipped to help resolve and from which it can gain the greatest competitive benefit".
The way in which a company describes itself in annual reports and CSR reports, from which Bloomberg also gathers data, does not necessarily correspond with its real practices. Therefore, to further investigate this area, we suggest that qualitative studies, such as content analyses, case studies, or questionnaires directed at board directors be conducted. These studies could also help determine whether the sample companies are at the stage of only implementing CSR or at a more advanced stage, that is monitoring CSR.
We also suggest that further empirical studies could be conducted to determine which characteristics of the CSR committee within the BOD influence social, environmental, and economic performance. The results of such research could be of benefit to companies that intend to create a CSR committee within their BOD as a useful and efficient structure to achieve CSR.
Based on our findings, it could also be interesting to conduct two new studies. The first one would investigate the creation and development of CSR committees starting from 2011, which is the end of our sample, and see if there is an evolution in the factors explaining the existence and the persistence of those committees over time. The second one would be to conduct a comparative study between common law and civil law countries to understand the interest of such distinct committees in boards of directors. Further studies might also be conducted to monitor the effect of independent, women and younger directors on CSR decisions and the governance structure of a company. Also, by undertaking a longitudinal study, we could analyse if creating a CSR committee within a BOD is a first step for a company or if it is the result of a mature strategy towards CSR issues. Finally, more inquiries should be undertaken as regards to the actual engagement *versus* the symbolic implication of the availability of a CSR committee. More specifically, we suggest that be explored the process through which a BOD which displays a highly diverse composition (gender and age), a high rate of independent directors, and which has adopted better functioning can achieve CSR performance even in the absence of a CSR committee. It will also be relevant to investigate in which institutional settings (national business systems, types of

capitalism) the existence of such a committee is likely to entail a real engagement to CSR issues from the board *versus* a merely symbolic practice.

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