

Aggressive CSR Strategy and CSR Awarding: Managerial Opportunism versus Social Activism

Running Head: Aggressive CSR, CSR Awarding, and Board Monitoring

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Abstract

Purpose: Despite the extensive body of research on absolute corporate social responsibility (CSR) performance, limited attention has been given to the distinct concepts of optimal and aggressive CSR engagement, as well as their associations with CSR awarding. This study aims to differentiate between optimal and aggressive CSR engagement and examine their relationship with CSR awarding while considering the moderating influence of board characteristics from the perspectives of stakeholder and agency theories.

Design/methodology/approach: This empirical analysis draws on an international dataset comprising 43,803 observations from nine sectors across 41 countries. We employ a least squares dummy variable regression approach that accounts for country, industry, and year effects to conduct the analysis.

Findings: The results reveal that engagement in aggressive CSR activities beyond the optimal level leads to the generation of a social reputation through CSR awarding. However, the influence of board characteristics on this relationship is significant. Specifically, the presence of a dedicated CSR committee encourages CSR awarding in the context of aggressive CSR engagement. Conversely, board independence constrains the relationship between aggressive CSR engagement and CSR awarding. Notably, board gender diversity does not have a discernible impact on this connection.

Practical implications: Our evidence provides valuable insights to help firms seeking to enhance their social reputation through CSR activities better allocate their resources and avoid unnecessary financial commitments.

Originality/value: This study advances the current understanding by exploring the relationship between aggressive CSR engagement and the recognition of CSR awards. Furthermore, it scrutinises the factors that dictate when such aggressive CSR engagement translates into enhanced social reputation, as evidenced by the attainment of CSR awards.

Keywords: aggressive CSR; CSR award; board monitoring; board independence; board gender diversity; CSR committee

1. Introduction

Corporate social responsibility (CSR) strategy, as discussed by Banker et al. (2023), emphasises the alignment between a company's overall business strategy and its CSR initiatives. According to their research, for CSR activities to be beneficial for both society and shareholders, they must be integrated with the company's core strategic objectives. This means that CSR should not be seen as a separate or peripheral activity but rather as an integral part of the business model and strategy. In recognition of their distinctive social engagement, corporations are given numerous types of awards to reward and encourage them to level up or at least maintain their commitment to CSR (Li et al., 2022). Obtaining prestigious CSR awards, such as inclusion on the list of *Best 100 Corporate Citizens* or on Fortune's ranking of the *Most Admired Companies*, denotes external appreciation of distinction in the CSR field, which is expected to have an immediate effect on enhancing the social reputation of award-winning corporations (Lewis and Carlos, 2019). Theoretically speaking, CSR awards can legitimise a corporation's activities by managing influential stakeholders' impressions and expectations of what they consider desirable, appropriate, and comparable in their assessment of that corporation's operations (Hawn et al., 2018). From another perspective, Uyar et al. (2022) suggest that social reputation is one of the main drivers of a firm's CSR disclosure (CSR talk) (Cai et al., 2020) and CSR performance (CSR walk)ⁱ (Lu et al., 2015; Cuervo-Cazurra et al., 2023), which incentivise firms to engage in CSR activities (Gaganis et al., 2021; Huang and Wang, 2022). As such, it is sensible to expect firms to enhance their social reputations through engagement in award-winning CSR activities (Uyar et al., 2022).

CSR engagement, particularly through disclosure, can be manipulated for greenwashing, in which firms misrepresent their social and environmental actions. This concern has been

analysed in several studies. Kimbrough et al. (2022) probe into the alignment of firms' voluntary environmental, social, and governance (ESG) reports with ratings from ESG rating agencies, uncovering potential greenwashing through inconsistent ratings. Thomas et al. (2022) investigate the potential overshadowing of environmental duties by financial objectives. Darendeli et al. (2022) evaluate whether companies' environmental claims are reflected in their hiring practices. Raghunandan and Rajgopal (2022) critically examine whether ESG funds genuinely make stakeholder-friendly investments, and Khan et al. (2021) scrutinise the accuracy of sustainability reporting within the banking sector. These studies emphasise the need to rigorously examine the relationship between companies' actual CSR actions and their portrayed social and environmental image, especially for CSR award recipients, to prevent misleading stakeholders.

Although a few studies have examined the CSR–CSR awarding nexus, a number of limitations can be highlighted. First, previous studies have focused on examining various aspects of the CSR–CSR awarding link mostly in single-country settings, such as the US (Zhou, 2022), China (Li et al., 2022), Malaysia (Anas et al., (2015), Thailand (Virakul et al., 2009), and Taiwan (Wu et al., 2014). Recently, Uyar et al. (2022) examine the link between ESG performance and CSR awarding among an international sample of 41 countries, which is a rare exception. Second, prior literature was confined to exploring (i) how CSR award-winning firms incentivise their non-CSR award-winning counterparts to engage with more effective CSR activities (Li et al., 2022), (ii) whether ESG consistency moderates the ESG–CSR awarding nexus (Uyar et al., 2022), (iii) the nature of CSR reporting of the award-winning corporations (Virakul et al. 2009; Anas et al., 2015; Arena et al. 2018), and the value relevance of CSR awarding (Wu et al., 2014). Third, we extend recently emerging literature on optimal versus aggressive CSR engagementⁱⁱ and its effect on firm outcomes (Jian and Lee, 2015; Zhou, 2022; Uyar et al., 2023). Despite the existence of

many studies on absolute CSR performance, the literature on optimal and aggressive CSR engagement and CSR awarding is scarce. The distinction between the two proxies of CSR bears implications for firm management and shareholders and stakeholders.

However, in line with another stream of literature (e.g. Krüger, 2015; Ferrell et al., 2016; Zhou, 2022), we argue that, in spite of its significance, CSR performance might not fulfil its objectives, as senior managers may excessively engage in CSR activities beyond the optimal level to enhance their own reputation at the expense of shareholders, which is known as aggressive or excessive CSR engagement (Masulis and Reza, 2015; Cuervo-Cazurra et al., 2023). Nevertheless, to the best of our knowledge, studies examining how firms' excessive CSR engagement beyond the optimal level affects CSR awarding are virtually non-existent. Consequently, we complement the body of previous CSR literature by examining whether aggressive CSR engagement is associated with CSR awarding. Thus, we pose the first critical question in this study: *Is aggressive CSR engagement positively associated with CSR awarding?*

Recent research also indicates that well-established characteristics of boards of directors can induce executives to actively engage in CSR, such as the presence of a CSR committee (Rodrigue et al., 2013; Elmaghrabi, 2021; Gerged et al., 2022a), board gender diversity (Liao et al., 2015; Ben-Amar et al., 2017; Solal and Snellman, 2019; Ali Gull et al., 2022; Gerged et al., 2022b), and board independence (Chang et al., 2017; Jain and Zaman, 2020; Zhou, 2022). Nevertheless, a fundamental gap in the extant literature is the lack of focus on the role of these board characteristics in the aggressive CSR–CSR awarding nexus. Therefore, this study extends the ongoing debate by exploring the potential moderating effect of specific board monitoring mechanisms on this link. To this end, we focus on three board characteristics—CSR committee, board gender diversity, and board independence—due to their relevancy in fostering firms' CSR

uptake (Lungeanu and Weber, 2021; Gerged et al., 2022b; Zhou, 2022) and leveraging CSR uptake for social reputation (CSR awarding) (Uyar et al., 2022). Thus, the second question in this study is: *What are the conditions under which aggressive CSR engagement can affect CSR awarding? Can the existence of a CSR committee and female and independent directors moderate the association between excessive CSR performance and CSR awards?*

Using an international sample of 43,803 firm-year observations across nine sectors in 41 countries, our evidence shows that aggressive CSR is significantly and positively associated with CSR awarding, which implies that firms engage in CSR activities excessively beyond the optimal level to gain a social reputation. However, the link between aggressive CSR and CSR awards is significantly contingent on the monitoring function of boards. Specifically, although the CSR committee provokes CSR awarding via aggressive CSR engagement, board gender diversity and board independence constrain CSR awarding via aggressive CSR engagement. Our findings are robust to alternative measures of variables and endogeneity concerns.

Our study contributes to the existing CSR literature in several ways. First, our study extends the current literature by exploring the potential impact of aggressive CSR engagements on CSR awarding among an international sample of 43,803 firm-year observations across nine sectors in 41 countries. Second, we examine the conditions under which aggressive CSR engagement engenders a social reputation as proxied by CSR awards. Specifically, we examine the moderating effect of the existence of a CSR committee, board gender diversity, and board independence on the relationship between excessive CSR performance and CSR awarding. Thus, our study aims to guide social reputation-seeking firms in better budgeting their CSR investments without excess financial commitments.

The remainder of the paper is structured as follows. Section 2 presents the theoretical background and develops the hypotheses. Section 3 explains the research design. Section 4 presents the empirical findings. Section 5 provides the discussion and conclusion, and Section 6 suggests implications and future research opportunities.

2. Theoretical background and hypotheses

2.1. Aggressive CSR Engagements and CSR Awarding

Numerous studies in the fields of firms and contract theories have suggested that corporations can achieve success by engaging in socially responsible behaviour (Alchian and Demsetz, 1972; Jensen and Meckling, 1976; Cornell and Shapiro, 1987; Hill and Jones, 1992). In this context, a firm acts as a network of contracts connecting shareholders and broader stakeholders. Maintaining a positive reputation among influential stakeholders is crucial for modern firms (Cai et al., 2020; Ozkan et al., 2022). Shapiro (1983) proposes that a good social reputation fosters trust between economic agents, facilitating transactions. By fulfilling their CSR obligations, companies can build a strong reputation with influential stakeholders, including those responsible for granting awards (Uyar et al., 2022).

Lins et al. (2017) find that active engagement in CSR reflects the mutual trust between a company and its key stakeholders, which becomes particularly advantageous when overall market trust is low. Social reputation theory further emphasises that CSR engagement is primarily promoted by social reputation (Herremans et al., 1993; Cai et al., 2020; Huang and Wang, 2022). Consequently, it is argued that a firm's CSR engagement can lead to an enhanced social reputation through the awarding of CSR accolades (Uyar et al., 2022).

However, a body of existing literature suggests that corporate managers may sometimes over-invest in CSR activities to serve their own interests. For instance, Jian and Lee (2015), Naughton et al. (2019), and Bu et al. (2021) propose that excessive CSR engagement might be indicative of managerial opportunism, leading to increased firm risk as well (Uyar et al., 2023). From the perspective of stakeholder theory, companies that perform well in CSR are likely to gain increased support from a wider range of stakeholders, leading to an improved reputation (Cho et al., 2012; Zhou, 2022) and an increased chance of winning CSR awards (Uyar et al., 2022).

Considering the findings from prior research and in alignment with the assumptions of social reputation theory and stakeholder theory, we posit the first hypothesis as follows:

H1: There is a positive association between aggressive CSR engagement and CSR awarding.

2.2. The Moderating Role of Board Monitoring Structures

A firm's board of directors serves as a crucial corporate governance mechanism to mitigate agency issues arising from the separation of ownership and control (Jensen and Meckling, 1976). The presence of a dedicated CSR committee is expected to significantly impact the relationship between aggressive CSR engagement and the recognition of CSR efforts through awards (Peters and Romi, 2014; Gerged et al., 2022a). Prior studies have suggested that firms with CSR committees are likely to be more active in CSR-related activities and, consequently, more likely to receive CSR awards (Uyar et al., 2022). This phenomenon can be explained by the agency–stakeholder theoretical perspective, which posits that having a dedicated CSR committee enhances the board's influence over management decisions pertaining to the organisation's social responsibilities (Fama, 1980; Fama and Jensen, 1983). Consequently, firms with CSR committees tend to exhibit more effective and aggressive CSR performance, effectively addressing the

concerns of various stakeholders (Liao et al., 2015; Elmaghrabi, 2021). Thus, we formulate the second hypothesis as follows:

H2: The presence of a CSR committee positively moderates the association between aggressive CSR engagement and CSR awarding.

However, the presence of independent and gender-diverse boards is likely to restrain managers' efforts to engage in aggressive CSR activities solely to enhance their social status and reputation (Cai et al., 2020; Zhou, 2022). In the context of board gender diversity, Comprix et al. (2022) and Hardies and Khalifa (2018) distinguish between sex at birth and gender in accounting research. Comprix et al. (2022) explore gender's influence on the treatment of CEOs during earnings calls, emphasising societal perceptions and biases. They demonstrate that gender, as a social construct encompassing roles and behaviours, affects professional interactions differently from biological sex. Hardies and Khalifa (2018) argue against simplifying gender to a binary classification, highlighting its spectrum that includes psychological, social, and cultural dimensions. These studies underscore gender's fluidity and its significant effect on social interactions and perceptions in professional settings, which contrasts with the more fixed categorisation of sex at birth.

The existing literature on the monitoring role of board members (Fama and Jensen, 1983; Raheja, 2005; Mobbs, 2013) supports our argument that effective board oversight facilitated by diverse and independent directors can limit executives from excessively pursuing CSR performance for several reasons. Specifically, female directors and independent directors possess (i) comprehensive information regarding a firm's CSR involvement and (ii) the motivation and authority to monitor managers' opportunistic behaviours (Acharya et al., 2011). Thus, they can effectively scrutinise CEOs who engage in overly ambitious CSR activities (Masulis and Mobbs,

2011; Abernethy et al., 2019; Zhou, 2022). In addition, recent evidence shows that aggressive CSR exacerbates firm risk (Uyar et al., 2023). Thus, we contend that independent directors and female directors can prevent executives from exploiting their positions to undertake aggressive CSR endeavours merely to boost their personal reputations at the expense of shareholders. Moreover, these corporate governance mechanisms are designed to meet stakeholders' expectations without exacerbating agency conflicts, as they are also accountable to shareholders. A firm's limited financial resources may also encourage directors to enhance their social reputation without resorting to aggressive CSR commitments. Therefore, a board's monitoring function is expected to negatively moderate the relationship between aggressive CSR engagement and CSR awarding. Consequently, we propose the following hypothesis:

H3: Board monitoring mechanisms (i.e. board gender diversity and board independence) have negative moderating influences on the relationship between aggressive CSR engagement and CSR awarding.

3. Research methodology

In this section, we present the variables, define the sample, explain and justify the empirical methodology, and formulate the research models.

3.1. Variables

Based on prior studies (Jian and Lee, 2015; Zhou, 2022; Uyar et al., 2023), we use the following variables in the first phase to calculate predicted (i.e. optimal) and aggressive CSR engagement: equally weighted average of environmental and social performance (ES)ⁱⁱⁱ for measuring CSR performance, ADVEXP (advertising expenditure scaled by total net sales), CHOLD (cash and cash equivalents scaled by total assets), CFLOW (EBITDA; earnings before interest and tax plus amortisation and depreciation scaled by total assets), NPM (net profit scaled by total net sales),

BIND (board independence), LVR (financial leverage), MTB (market to book value), RDI (research and development intensity), FSIZE (firm size), and ATOVER (asset turnover). In the first phase, we calculate three sets of CSR proxies, including one for predicted CSR (PREES) and two excess CSR proxies, namely RESES and RESESB. PREES is the optimal ES score based on Equation 1. RESES is the continuous residual ES variable based on Equation 1, and RESESB is a binary variable. RESESB is based on the sign of residuals (takes 1 if the residual is positive, and 0 otherwise) (Jian and Lee, 2015; Bu et al., 2021; Zhou, 2022; Uyar et al., 2023). In line with Cahan et al. (2016), we simultaneously include predicted and excess CSR proxies in the equation.

In the second phase, we test the association between excess CSR and CSR awarding (AWARDS); we measured AWARDS with a binary variable, 1 showing the existence of AWARDS and 0 otherwise (Wu et al., 2014; Aouadi and Marsat, 2018; Uyar et al., 2022). In line with prior studies, we integrated three board monitoring proxies, namely CSR committee (CCOMT), board gender diversity (BDIVERS), and board independence (BIND), as moderators (Duru et al., 2016; Orazalin and Baydauletov, 2020; Kılıç et al., 2021). Unlike prior studies focusing on absolute CSR performance scores, we are particularly interested in whether these board characteristics provoke or constrain CSR awarding by excess CSR engagement by distinguishing between optimal CSR and excess CSR, which are ignored in prior studies with a few exceptions (Jian and Lee, 2015; Zhou, 2022; Uyar et al., 2023).

Following prior studies (Jian and Lee, 2015; Uyar et al., 2021; Zhou, 2022), several control variables that are likely to influence CSR award-winning are added to the model. While BSIZE (board size), BDIVERS (board gender diversity), BIND (board independence), and CEOD (CEO duality) are controls for corporate governance characteristics, FSIZE (firm size), ROA (return on assets), LVR (leverage), and CRATIO (current ratio) are controls for the financial characteristics

of the firms. Finally, the FFLOAT (free float), WGI (World Governance Indicators), and GDP (natural logarithm of gross domestic product per capita) control ownership structure, institutional environment, and economic development, respectively. The rationality in integrating these control variables is that while the board is the main decision-making body formulating corporate CSR and social reputation policies, financial characteristics facilitate or limit available funding for CSR and social reputation, and ownership base and public governance may exert pressure on or incite firms to undertake or not undertake CSR and social reputation engagement.

Table 1 in panel A and panel B lists and defines the variables used in the first and second phases, respectively.

Insert Table 1 Here

3.2. Sample

The sample covers the firm-year observations between 2002 and 2019 listed in the Thomson Reuters Eikon/Refinitiv (previously known as ASSET4) database. In the selection of the period and associated data, the availability of the ESG data played an important role, which was available from 2002 onward until 2019 (the latest year of the period at the time of the data collection stage). Analysts collect ESG data based on more than 600 ESG indicators, 186 of which are considered in the ESG scoring system (Refinitiv, 2022). The ESG score for each firm is then normalised between 0 and 100 by considering a firm's relative score with the affiliated industry (Breuer et al., 2018; Garel and Petit-Romec, 2021). The ESG data are collected from several sources, such as sustainability reports, annual reports, stock exchange filings, various news sources, and corporate and non-governmental websites (Ioannou and Serafeim, 2012; Refinitiv, 2022).

The research sample includes observations from the non-financial sector^{iv}, excluding multivariate outliers and excluding countries with less than ten firms^v, excluding observations from the initial phase in which we generate the variables of interest for the research models. After the retrieval of the raw data, they are cleaned, organised, transferred into the software analysis environment, and prepared for subsequent analytical steps. First, some of the research variables are subjected to the winsorisation step due to the high variability around mean values or significant extreme values^{vi}. The values of both tails of the indicated variables at the one percent level are winsorised (Cox, 2006). Second, we explore the multivariate outliers using the minimum covariance determinant method (Verardi and Dehon, 2010). Accordingly, 19 observations are determined as significant multivariate outliers and removed from the research sample. Third, we check the missing values. The initial descriptive statistics of the missing value analysis show that some of the research variables had less than a ratio of 5% missing values^{vii}. Variables with less than 5% can be inconsequential (Schafer, 1999). A ratio of less than 10% of the missing values may not cause any estimation biases during the analysis (Bennett, 2001). Lastly, the variables with missing values are subject to the imputation phase, even if the ratios are relatively small and can be inconsequential. The missing values are imputed using the Markov chain Monte Carlo method.

The initial sample size is 59,192 observations. After the financial sector is removed, countries with less than 10 unique firms, missing observations from Phase I, and significant outliers are excluded, and a sample of 43,803 observations is left for the final sample size^{viii} (Table 2, Panel A). In terms of the sector-level distribution, the ratios range between 21.26% (industrials) and 3.10% (telecommunications services)^{ix}. Regarding the year-level distributions, the ratios range between 0.72% (2002) and 12.70% (2019), with a steady increase each year (Table 2, Panel B).

Lastly, the country-level sampling distributions indicate that there are 41 countries with 5,836 unique firms and 43,803 data points (Table A1 in the Appendix section).

Insert Table 2 Here

3.3. Research models

The research models are established in two phases. The testing variables of interest are generated using a model in Phase I. After obtaining the new variables of interest from Phase I, the research models are formulated in Phase II.

Phase I formulation: The purpose of this phase is to extract predicted and excess CSR levels. Whereas the predicted CSR levels are used as the control variable, the excess CSR levels are used as the variables of interest in Phase II. In Phase I, the country, industry, and year fixed-effects (FE) regression model is developed towards this goal in Equation 1.

$$(Y)_{i,t,c} = \beta_0 + \beta_1(X)_{i,t,c} + \beta_2(\text{Controls})_{i,t,c} + \beta_3\sum(\text{Country})_c + \beta_4\sum(\text{Industry})_i + \beta_5\sum(\text{Year})_t + \varepsilon_{i,t,c} \quad (1)$$

where the dependent variable is ES, denoted by the “Y” term. ADVEXP, CHOLD, CFLOW, NPM, BIND, LVR, MTB, RDI, FSIZE, and ATOVER are the independent variables denoted by the “X” term. By performing country, industry, and year FE regression analysis, we generate three independent variables to be used in the Phase II model development, including RESES, RESESB, and PREES (defined previously in Section 3.1. “Variables”). Detailed information about the variables is also presented in Table 1.

Based on the model in Equation 1, PREES is generated using the predicted value of ES, and RESES is created using the continuous residuals. A binary categorical variable, RESESB, is

generated by assigning a value of 1 for the positive residuals, while a value of 0 is assigned to the negative residuals.

Phase II formulation: The generated excessive CSR variables in Phase I are used as the testing variables of interest, while the optimum CSR variable is used as a control variable in the Phase II formulation. The models are formulated using Equation 2 below. The logistic regression analysis method is used since the dependent variable of interest is a binary categorical variable. Furthermore, the country-industry-year FE logistic regression model is used to test the research hypotheses in this phase to mitigate any potential time-invariant endogeneity threats (Schons and Steinmeier, 2016; Rjiba et al., 2020). We include the country, industry, and year dummy variables to capture FE or to control for unobserved heterogeneity between country, industry, and year levels using the least squares dummy variable (LSDV) regression approach (Baltagi, 2013).

$$\Pr(Y = 1 | X, \text{Controls})_{i,t,c} = F[\beta_0 + \beta_1(X)_{i,t-1,c} + \beta_2(\text{Controls})_{i,t-1,c} + \beta_3\sum(\text{Country})_c + \beta_4\sum(\text{Industry})_i + \beta_5\sum(\text{Year})_t + \varepsilon_{i,t,c}] \quad (2)$$

where F is the logistic distribution function $F(k) = \exp(k)/(1+\exp(k))$.

The binary categorical dependent variable is AWARDS, denoted by the “Y” term. The testing variables of interest are the one-year lags of RESES and RESESB, denoted by the “ X_{t-1} ” term. We do not establish a contemporaneous model, presuming that there could be a lag-lead relationship between CSR performance and awards. Similarly, the independent control variables are the one-year lags of PREES, BSIZE, BDIVERS, BIND, CEOD, CCOMT, FSIZE, ROA, LVR, CRATIO, FFLOAT, WGI, and GDP.

Moderation effects: The baseline research models incorporate the moderating effects of CSR committee existence (CCOMT) and board monitoring (BDIVERS and BIND) on the relationship between aggressive CSR proxies (RESES and RESESB) and CSR awarding (AWARDS). The formulation of the moderating models is shown in Equation 3 below.

$$\Pr(Y = 1 | X, M, \text{Controls})_{i,t,c} = F[\beta_0 + \beta_1(X)_{i,t-1,c} + \beta_2(M)_{i,t-1,c} + \beta_3(X*M)_{i,t-1,c} + \beta_4(\text{Controls})_{i,t-1,c} + \beta_5\sum(\text{Country})_c + \beta_6\sum(\text{Industry})_i + \beta_7\sum(\text{Year})_t + \varepsilon_{i,t,c}] \quad (3)$$

where F is the logistic distribution function $F(k) = \exp(k)/(1 + \exp(k))$.

In Equation 3, the binary dependent variable (Y) is AWARDS. The one-year lags of RESES and RESESB are the independent testing variables of interest (X). The one-year lags of CCOMT, BDIVERS, and BIND are the moderating variables (M). The independent control variables are the same as in Equation 2. The moderating analysis is examined using the country-industry-year FE logistic regression analysis. Robust standard errors are reported in the regression models to mitigate any potential heteroscedasticity concerns (Wooldridge, 2020).

4. Findings

4.1. Descriptive statistics

The results of the summary statistics of the research variables from Phase I and Phase II are reported in Table 3. Accordingly, the mean ES is 37.16, ranging between 0.03 and 97.46 (Table 3, Panel A). Moreover, the ratio of the existence of AWARDS is 38%. The mean of the predicted ES (PREES) is 37.16. The averages of the two excess CSR proxies are 0.00 for RESES and 48% for RESESB. Regarding the moderating variables, the mean values of the board monitoring proxies are 0.47 for CCOMT, 13.48 for BDIVERS, and 73.28 for BIND (Table 3, Panel B).

Insert Table 3 Here

4.2. Correlation analysis

The bivariate linear correlation analysis results based on Pearson's correlation coefficients are reported in Table 4. The results reveal that all excessive CSR proxies, including RESES and RESESB, have a linear positive and significant correlation with CSR awarding (AWARD) ($p < 0.05$). Moreover, the moderating variables of the board monitoring proxies, including CCOMT, BDIVERS, and BIND, have a linear positive and significant correlation with CSR awarding ($p < 0.05$).

Insert Table 4 Here

Multicollinearity analysis: We perform further analysis to examine whether there is any multicollinearity issue among the independent variables. To this end, we calculate the values of the variance inflation factor (VIF). The results reveal that the VIF values range between 1.10 and 3.46, which are significantly less than the suggested cut-off value of 10 (Neter et al., 1996; Kennedy, 2008; Hair et al., 2019). Therefore, multicollinearity is not a threat among the independent variables of the research models.

4.3. Baseline analysis

The baseline linear research models are investigated using the country-industry-year FE logistic regression analysis (Table 5, Columns 1 & 2). The one-year lags of the variables of interest, as well as the control variables, are incorporated in the regression analysis. The results show that RESES_(t-1) and RESESB_(t-1) have a significant and positive relationship with CSR awarding

(AWARD). Thus, H1 is supported concerning the association between aggressive CSR engagement and CSR awarding.

4.4. Moderation analysis

The moderating effects of the board monitoring factors are examined using country-industry-year FE logistic regression analysis. Similarly, we incorporate the one-year lag of testing variables of interest, moderating variables, and the control variables in the regression analysis. We examine the moderating roles of CCOM, BDIVERS, and BIND on the relationship of RESES and RESESB with AWARDS. The results reveal that the product terms including $RESES_{(t-1)} * CCOMT_{(t-1)}$ and $RESESB_{(t-1)} * CCOMT_{(t-1)}$ have a significantly positive relationship with AWARDS (Table 5, Columns 3 & 4), whereas the product terms including $RESES_{(t-1)} \times BIND_{(t-1)}$ and $RESESB_{(t-1)} \times BIND_{(t-1)}$ have a significantly negative relationship with AWARDS (Table 5, Columns 7 & 8). By contrast, the coefficients of the product terms, including $RESES_{(t-1)} \times BDIVERS_{(t-1)}$ and $RESESB_{(t-1)} \times BDIVERS_{(t-1)}$, are non-significant (Table 5, Columns 5 & 6).

Insert Table 5 Here

Thus, whereas H2, concerning the positive moderating effect of the CSR committee on the relationship between aggressive CSR engagement and CSR awarding, is supported, H3, concerning the moderating effects of board gender diversity and independence on the relationship is partially supported. This is because, although the moderation of board independence is significantly negative, the moderation of board gender diversity is not significant.

4.5. Robustness tests

We perform various analyses to check the robustness of the baseline analysis results. To this end, we execute the entropy balancing method, propensity score matching (PSM), and instrumental variable probit regression analysis (IVPROBIT), incorporating additional control variables and adopting an alternative sample. To address the endogeneity concern, we employ three methods: entropy balancing, PSM, and IVPROBIT analyses.

Entropy balancing method: To mitigate any potential self-selection bias that can arise from observable characteristics (Hainmueller, 2012), we utilise the entropy balancing method (Hainmueller and Xu, 2013). Entropy balancing can effectively minimise the variations among the variables across the control and treatment groups to the extent to which the control group can be reweighted to match the covariate moments in the treatment group (Hainmueller and Xu, 2013). It is commonly used to address endogeneity concerns in the fields of accounting and finance research (Garcia et al., 2021; Kyaw et al., 2022).

PSM: We employ PSM (Leuven and Sianesi, 2003) with a one-to-one matching approach to alleviating selection bias, and it helps address the endogeneity concern by matching treated and control observations. The PSM approach can remove bias due to all observed covariates (Rosenbaum and Rubin, 1983), and it can reduce the effect of any hidden bias (Rosenbaum, 2005).

To perform the entropy balancing and PSM methods, we use the testing variables of interest: RESES and RESESB. We generate a binary variable with treatment and control groups using the top quartile of RESES. We assign a value of 1, representing the treatment group, while the rest of the observations were assigned a value of 0, representing the control group. RESESB is already a binary variable for which the value 1 is used in the treatment group, while 0 is used in the control group.

The results obtained from the entropy balancing method and the PSM method (Table 6 and Table 7, respectively) align with the findings of the initial analysis. This consistency in the results across different analytical techniques strengthens the robustness and validity of our findings.

Insert Table 6 Here

Insert Table 7 Here

IVPROBIT: To mitigate any potential endogeneity problem, we also perform IVPROBIT regression analysis, which fits models with the binary dependent variables, namely AWARDS. We use the minimum chi-square two-step estimator in the IVPROBIT analysis (Newey, 1987) with continuous endogenous regressors. The one-year lag of variables of interest and an industry-level average of testing variables of interest excluding focal firms (RESES and RESESB) are used as instrumental variables for predicting AWARDS (El Ghouli et al., 2018; Gandullia and Piserà, 2020). We report the first stage, second stage, and Wald test of exogeneity in Table 8. The IVPROBIT results are compatible with the initial analysis results.

Insert Table 8 Here

Additional control variables: We include additional control variables (PMR, EBH, and LAW)^x in the research models to alleviate omitted variable bias (Kuzey et al., 2021). These variables control the national environment by taking into account formal (i.e. market-related regulations and the law system) and informal institutions (i.e. ethics). We then rerun the country-industry-year FE logistic regression analysis, which produced results compatible with the initial analysis results (Table 9).

Insert Table 9 Here

Alternative sample: As part of our analysis, we decided to generate an alternative sample by excluding data from the United States, the United Kingdom, and Japan, since these three countries have the largest portion of the sample. This exclusion was implemented to examine the robustness of our research models and to determine whether the results would remain consistent without the influence of these countries. Following the creation of the alternative sample, we rerun the research models using this new dataset. The results obtained from the alternative sample were found to align with the previous findings, as indicated in Table 10.

Insert Table 10 Here

5. Discussion and conclusion

The extant body of literature examining CSR primarily focuses on absolute CSR performance, while research concerning optimal and aggressive CSR engagement and the bestowing of CSR awards remains limited. As a result, this study aims to address this gap by delineating between optimal and aggressive CSR practices in the association between CSR engagement and CSR awarding. Although the connection between board characteristics and CSR performance has been extensively studied, the previous literature also lacks substantial evidence regarding their moderating role in relation to aggressive CSR engagement and CSR awarding. Hence, our investigation contributes novel insights into the social reputation of firms via aggressive CSR engagement and the moderating role of board monitoring.

Our empirical findings reveal a positive association between aggressive CSR practices and the conferral of CSR awards. This finding implies that firms seeking to enhance their social reputations are motivated to engage in CSR activities beyond the optimal level. Additionally, the study identifies sustainability governance as having a positive moderating effect between

aggressive CSR and CSR awarding, whereas board monitoring plays a contrasting role, posing a negative moderating effect between the two. This suggests that while CSR committees facilitate CSR awarding through aggressive CSR engagement, board independence acts as a constraint on such awarding via aggressive CSR practices. The principal finding aligns with stakeholder and social reputation theories, suggesting that firms adopt CSR initiatives to meet stakeholder expectations and bolster their social standing through CSR awards (Cai et al., 2020; Huang and Wang, 2022; Uyar et al., 2022).

Moreover, the moderating impact of the CSR committee supports social reputation theory, while the moderating effect of board independence substantiates the agency perspective. Aggressive CSR engagement by firms may be construed as a signal of managerial opportunism, leading to agency conflicts (Jian and Lee, 2015; Naughton et al., 2019; Bu et al., 2021). Consequently, independent directors assume a pivotal role in curbing managerial opportunism, thereby enhancing their social status and reputation through CSR engagement (Cai et al., 2020; Zhou, 2022).

In contrast to our initial expectations, the lack of significant evidence for the moderating role of female directors implies uncertainty regarding their stance on using CSR as a means to bolster their social reputation. This result underscores the need for further research into the nuanced factors influencing the interplay between gender diversity on boards and CSR practices.

In conclusion, this study contributes to the growing body of academic research by shedding light on the distinction between optimal and aggressive CSR engagements and their implications for CSR awarding and firm reputation. The findings underscore the importance of considering board characteristics and governance mechanisms when examining the relationship between CSR

engagement and the bestowing of CSR awards, offering valuable insights for both academic and practical endeavours in the realm of CSR.

6. Implications and future research opportunities

The results support a multi-theoretical framework, including social reputation, stakeholder, and agency theories. It is evident that firms pursue a social reputation through CSR awarding. The practical implications are that the findings can guide social reputation-seeking firms in obtaining the benefits of CSR engagement. The moderating effects may help firms in configuring their board structure and monitoring mechanisms. Social reputation seekers are advised to configure a board-level CSR governance committee. Firms that do not favour social reputation-associated investments may strengthen their board structure with more independent directors. The insignificant moderating effect of board gender diversity suggests more future studies that might deepen the investigation by considering contextual factors such as shareholder-stakeholder oriented environment, sectoral affiliation, and firm financial constraints. The findings may be useful for stockholders seeking socially reputable firms to invest in.

Regarding the limitations of this study, first, we acknowledge that CSR awarding is one of the items included in the measurement of social engagement. However, given that social responsibility in Thomson Reuters Eikon/Refinitiv's ESG taxonomy is measured by 62 indicators, this overlap between predictor and response variable does not pose a serious issue (Refinitiv, 2022)^{xi}. Second, based on a broad range of sectors, countries, and robustness tests, our study suggests robust and generalisable results about how to connect aggressive CSR engagement to social reputation. Nevertheless, we acknowledge that the results may not be directly generalisable to specific sectors, as some sectors might need a greater social reputation and others might need

less. Thus, the validation of the results in specific sectors might require further justification. Furthermore, our moderators consider the CSR committee's existence and female and independent directors' proportions but not their characteristics. This limitation could also provoke further studies contingent upon data availability (e.g. collectable manually for small-scale studies). Moreover, our study does not elaborate on the outcomes of social reputation via CSR award-winning, such as increasing market share, market value, debt contracting, and appealing stakeholders, which could be the subject of future research. Finally, whether the institutional environment provokes or limits firms' desire for social reputation could also be the focus of future studies¹.

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TABLES

Table 1: Variables

Panel A: Phase I

Variable	Description
ES	Mean of environmental and social sustainability
ADVEXP	Advertising expenditure scaled by total net sales
CHOLD	Cash & cash equivalents scaled by total assets
CFLOW	Income before interest and tax plus amortisation and depreciation scaled by total assets
NPM	Net profit scaled by total net sales
BIND	Proportion of the number of non-executive board members to the total number of board members
LVR	Total debt scaled by total assets
MTB	Market capitalisation scaled by total equity
RDI	Research & development expenditure scaled by total assets
FSIZE	Natural logarithm of total assets
ATOVER	Total net sales scaled by total assets

Panel B: Phase II

Variable	Description
AWARDS	CSR award existence, which takes 1 if it exists and 0 if it does not
PREES	Predicted ES value calculated by Equation 1
RESES	Residual ES value calculated by Equation 1
RESESB	If the residual ES value calculated in Equation 1 is positive, it takes 1; otherwise, 0
CCOMT	CSR committee existence, which takes 1 if it exists and 0 if it does not
BDIVERS	Proportion of the number of female board members to the total number of board members
BSIZE	Total number of board members
BIND	Proportion of the number of non-executive board members to the total number of board members
CEOD	CEO duality takes 1 if the board chair and CEO positions are held by the same person and is given 0 otherwise.
FSIZE	Natural logarithm of total assets
ROA	Income before tax scaled by total assets
LVR	Total debt scaled by total assets
CRATIO	Total current assets scaled by total current liabilities
FFLOAT	Free float percentage of shares tradeable by shareholders
WGI	Worldwide Governance Indicators' mean includes political stability and absence of violence/terrorism, government effectiveness, control of corruption, voice and accountability, the rule of law, and regulatory quality (All metrics' values range from -2.5 to 2.5) (World Bank, 2021).
GDP	Natural logarithm of gross domestic product per capita
PMR	Response to "In your country, to what extent are the interests of minority shareholders protected by the legal system? (1 = not protected at all; 7 = fully protected)" (WEF, 2018)
EBH	Ethical behaviour of firms in interactions with other firms and public officials and politicians (1 = extremely poor; 7 = excellent) (WEF, 2018)
LAW	The law system takes 1 if the country adopts common law and 0 if code law is adopted.

This table describes the variables used in Phase I and Phase II. Phase I predicts optimal and excessive CSR levels, and Phase II associates them with CSR awarding and the moderating of board characteristics. **Table 1 by Authors.**

Table 2: Sample distribution*Panel A*

Initial sample	59,192
(-) Financial sector	13,333
(-) Less than 10 firms	445
(-) Non-available observations from Phase-I	1,592
(-) Outliers	19
<i>Final Sample</i>	<i>43,803</i>

Panel B

Variable	Category	Freq.	Percent	
Sector	Basic Materials	5,766	13.16	
	Consumer Cyclical	8,299	18.95	
	Consumer Non-Cyclical	3,905	8.91	
	Energy	3,736	8.53	
	Healthcare	3,937	8.99	
	Industrials	9,314	21.26	
	Technology	5,043	11.51	
	Telecommunications Services	1,356	3.1	
	Utilities	2,447	5.59	
		<i>Total</i>	<i>43,803</i>	<i>100</i>
Year	2002	315	0.72	
	2003	507	1.16	
	2004	852	1.95	
	2005	1,190	2.72	
	2006	1,272	2.9	
	2007	1,376	3.14	
	2008	1,566	3.58	
	2009	1,870	4.27	
	2010	2,190	5	
	2011	2,479	5.66	
	2012	2,608	5.95	
	2013	2,693	6.15	
	2014	2,827	6.45	
	2015	3,264	7.45	
	2016	3,878	8.85	
	2017	4,407	10.06	
	2018	4,944	11.29	
	2019	5,565	12.7	
		<i>Total</i>	<i>43,803</i>	<i>100</i>

This table gives the details of the sample description (Panel A) and distribution across sectors and years (Panel B). **Table 2 by Authors.**

Table 3: Summary statistics*Panel A: Phase-I*

Variable	Obs.	Mean	Std. Dev.	Min	Max
ES	43,803	37.16	24.27	0.03	97.46
ADVEXP	43,803	0.01	0.03	0.00	0.20
CHOLD	43,803	0.10	0.10	0.00	0.59
CFLOW	43,803	0.12	0.10	-0.34	0.42
NPM	43,803	0.01	0.86	-6.13	3.63
BIND	43,803	73.28	21.77	0.00	100.00
LVR	43,803	0.24	0.17	0.00	0.83
MTB	43,803	3.43	4.16	0.28	27.20
RDI	43,803	0.02	0.04	0.00	0.27
FSIZE	43,803	22.15	1.61	11.25	27.41
ATOVER	43,803	0.96	1.00	0.00	7.32

Panel B: Phase-II

Variable	Obs.	Mean	Std. Dev.	Min	Max
AWARDS	43,803	0.38	0.49	0.00	1.00
PREES	43,803	37.16	16.68	-52.79	98.63
RESES	43,803	0.00	17.63	-85.48	71.68
RESESB	43,803	0.48	0.50	0.00	1.00
CCOMT	43,803	0.47	0.50	0.00	1.00
BDIVERS	43,803	13.48	12.52	0.00	100.00
BSIZE	43,803	10.03	3.36	4.00	21.00
BIND	43,803	73.28	21.77	0.00	100.00
CEOD	43,803	0.39	0.49	0.00	1.00
FSIZE	43,803	22.15	1.61	11.25	27.41
ROA	43,803	0.06	0.11	-0.48	0.37
LVR	43,803	0.24	0.17	0.00	0.83
CRATIO	43,803	2.03	1.86	0.25	12.90
FFLOAT	43,803	77.17	24.73	0.00	100.00
WGI	43,803	1.12	0.59	-0.83	1.97
GDP	42,727	10.49	0.77	6.90	12.20

This table presents the summary statistics of the variables used in Phase-I and Phase-II.

Table 3 by Authors.

Table 4: Correlation analysis

Variables	1	2	3	4	5	6	7	8
1 AWARDS	1							
2 PREES	0.339*	1						
3 RESES	0.377*	0	1					
4 RESESB	0.333*	0.075*	0.804*	1				
5 CCOMT	0.337*	0.476*	0.388*	0.348*	1			
6 BDIVERS	0.025*	0.259*	0.084*	0.078*	0.135*	1		
7 BSIZE	0.244*	0.387*	0.060*	0.085*	0.208*	0.007	1	
8 BIND	0.046*	0.177*	0	-0.010*	-0.005	0.318*	-0.040*	1
9 CEOD	0.013*	-0.031*	0.022*	0.003	-0.049*	-0.022*	0.062*	-0.018*
10 FSIZE	0.383*	0.727*	0	0.054*	0.328*	0.025*	0.514*	0.014*
11 ROA	0.082*	0.122*	-0.018*	-0.020*	0.036*	0.019*	0.056*	-0.004
12 LVR	0.090*	0.156*	0	0.011*	0.083*	0.055*	0.150*	0.086*
13 CRATIO	-0.163*	-0.273*	-0.017*	-0.022*	-0.149*	-0.078*	-0.210*	-0.042*
14 FFLOAT	-0.047*	-0.009*	0.054*	0.036*	0.010*	0.105*	-0.054*	0.057*
15 WGI	-0.109*	0.007	0.025*	0.020*	-0.007	0.133*	-0.126*	0.053*
16 GDP	-0.154*	-0.039*	0.013*	0.004	-0.082*	0.151*	-0.142*	0.076*
Variables	9	10	11	12	13	14	15	16
9 CEOD	1							
10 FSIZE	0.113*	1						
11 ROA	0.040*	0.127*	1					
12 LVR	0.003	0.300*	-0.169*	1				
13 CRATIO	0.001	-0.364*	-0.125*	-0.359*	1			
14 FFLOAT	0.137*	0.002	-0.052*	-0.011*	0.047*	1		
15 WGI	0.016*	-0.109*	-0.080*	-0.065*	0.063*	0.425*	1	
16 GDP	0.112*	-0.091*	-0.130*	-0.032*	0.101*	0.458*	0.858*	1

This table presents the correlation coefficients among the variables used in Phase-II. *p<0.05. [Table 4 by Authors.](#)

Table 5: Country, industry, and year fixed-effect logistic regression with linear and moderating models

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	AWARDS	AWARDS	AWARDS	AWARDS	AWARDS	AWARDS	AWARDS	AWARDS
	Linear	Linear	Moderation	Moderation	Moderation	Moderation	Moderation	Moderation
RESES(t-1)	0.046*** (52.84)		0.044*** (36.12)		0.047*** (38.99)		0.057*** (21.50)	
RESESB(t-1)		1.22*** (44.25)		1.14*** (29.44)		1.26*** (32.06)		1.60*** (18.01)
RESES(t-1)*CCOMT(t-1)			0.0037** (2.22)					
RESESB(t-1)*CCOMT(t-1)				0.15*** (2.86)				
RESES(t-1)*BDIVERS(t-1)					-0.000061 (-0.93)			
RESESB(t-1)*BDIVERS(t-1)						-0.0030 (-1.37)		
RESES(t-1)*BIND(t-1)							-0.00015*** (-4.46)	
RESESB(t-1)*BIND(t-1)								-0.0051*** (-4.50)
PREES(t-1)	0.051*** (10.62)	0.047*** (9.98)	0.051*** (10.62)	0.047*** (9.97)	0.051*** (10.61)	0.047*** (9.96)	0.051*** (10.45)	0.046*** (9.81)
BSIZE(t-1)	0.011** (2.20)	0.017*** (3.46)	0.011** (2.21)	0.017*** (3.47)	0.011** (2.22)	0.017*** (3.47)	0.012** (2.34)	0.017*** (3.59)
BDIVERS(t-1)	-0.00029 (-0.21)	0.0021 (1.53)	-0.00026 (-0.19)	0.0021 (1.54)	-0.00016 (-0.12)	0.0037** (2.06)	-0.000048 (-0.03)	0.0023* (1.68)
BIND(t-1)	0.0023* (1.94)	0.0018 (1.52)	0.0023* (1.94)	0.0018 (1.52)	0.0024** (1.97)	0.0018 (1.57)	0.0029** (2.39)	0.0048*** (3.56)
CEOD(t-1)	0.032 (1.05)	0.051* (1.70)	0.033 (1.07)	0.051* (1.70)	0.032 (1.05)	0.051* (1.71)	0.032 (1.04)	0.051* (1.70)
CCOMT(t-1)	0.32*** (9.40)	0.62*** (19.38)	0.31*** (9.34)	0.54*** (12.83)	0.32*** (9.38)	0.61*** (19.35)	0.32*** (9.40)	0.61*** (19.32)
FSIZE(t-1)	0.16*** (3.49)	0.13*** (2.85)	0.16*** (3.47)	0.13*** (2.85)	0.16*** (3.50)	0.13*** (2.87)	0.17*** (3.64)	0.13*** (3.01)
ROA(t-1)	0.41** (2.45)	0.45*** (2.78)	0.41** (2.43)	0.45*** (2.75)	0.41** (2.47)	0.46*** (2.81)	0.43*** (2.58)	0.47*** (2.90)
LVR(t-1)	-0.13 (-1.26)	-0.10 (-1.04)	-0.13 (-1.26)	-0.11 (-1.06)	-0.13 (-1.26)	-0.10 (-1.04)	-0.13 (-1.27)	-0.11 (-1.06)
CRATIO(t-1)	-0.057*** (-5.20)	-0.060*** (-5.59)	-0.056*** (-5.15)	-0.059*** (-5.55)	-0.057*** (-5.22)	-0.060*** (-5.62)	-0.057*** (-5.22)	-0.060*** (-5.60)

FFLOAT(t-1)	0.0010 (1.50)	0.0018*** (2.65)	0.0011 (1.50)	0.0018*** (2.64)	0.0010 (1.48)	0.0018*** (2.64)	0.00094 (1.34)	0.0017** (2.55)
WGI(t-1)	0.47*** (4.67)	0.46*** (4.71)	0.46*** (4.65)	0.46*** (4.69)	0.47*** (4.67)	0.46*** (4.70)	0.48*** (4.77)	0.47*** (4.81)
GDP(t-1)	-0.19** (-2.04)	-0.14 (-1.54)	-0.19** (-2.01)	-0.14 (-1.51)	-0.19** (-2.06)	-0.14 (-1.57)	-0.20** (-2.16)	-0.15* (-1.65)
Constant	-5.66*** (-4.20)	-6.22*** (-4.73)	-5.70*** (-4.23)	-6.23*** (-4.74)	-5.65*** (-4.20)	-6.23*** (-4.74)	-5.72*** (-4.25)	-6.48*** (-4.92)
Country, Industry, Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	36818	36818	36818	36818	36818	36818	36818	36818
Pseudo R ²	0.271	0.248	0.271	0.248	0.271	0.248	0.271	0.248
χ^2 -stat.	13393.34***	12261.49***	13398.26***	12269.69***	13394.21***	12263.37***	13413.67***	12281.93***

This table presents the association between optimal and excessive CSR engagement and CSR awarding and the moderating effects of CSR committee, board gender diversity and board independence. While a binary variable of AWARDS reflects CSR award existence (taking 1 if it exists, and 0 if not), PREES reflects the predicted ES value calculated by Equation (1), and RESES shows residual ES value calculated by Equation (1), and RESES is a binary variable taking 1 if the residuals obtained in Equation (1) are positive, 0 otherwise. All research variables are defined in Table 1. *t* statistics are reported in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. **Table 5 by Authors.**

Robustness Tests

Table 6: Entropy balancing

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	AWARDS	AWARDS	AWARDS	AWARDS	AWARDS	AWARDS	AWARDS	AWARDS
	Linear	Linear	Moderation	Moderation	Moderation	Moderation	Moderation	Moderation
RESES(t-1)	0.043*** (43.27)		0.039*** (24.57)		0.043*** (30.03)		0.050*** (16.19)	
RESESB(t-1)		1.23*** (39.65)		1.05*** (24.03)		1.21*** (26.59)		1.52*** (14.41)
RESES(t-1)*CCOMT(t-1)			0.0070*** (3.56)					
RESESB(t-1)*CCOMT(t-1)				0.27*** (4.59)				
RESES(t-1)*BDIVERS(t-1)					0.000047 (0.62)			
RESESB(t-1)*BDIVERS(t-1)						0.0016 (0.64)		
RESES(t-1)*BIND(t-1)							-0.000085** (-2.15)	
RESESB(t-1)*BIND(t-1)								-0.0040*** (-2.95)
Controls	Included	Included	Included	Included	Included	Included	Included	Included
Country, Industry, Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	36817	36817	36817	36817	36817	36817	36817	36817
Pseudo R ²	0.236	0.226	0.236	0.226	0.236	0.226	0.236	0.226
χ^2 -stat.	5061.41***	5867.30***	5081.67***	5888.08***	5062.02***	5868.91***	5074.70***	5870.70***

This table presents the association between optimal and excessive CSR engagement and CSR awarding and the moderating effects of CSR committee, board gender diversity and board independence based on Entropy Balancing. While a binary variable of AWARDS reflects CSR award existence (taking 1 if it exists, and 0 if not), PREES reflects the predicted ES value calculated by Equation (1), and RESES shows residual ES value calculated by Equation (1), and RESES is a binary variable taking 1 if the residuals obtained in Equation (1) are positive, 0 otherwise. All research variables are defined in Table 1. *t* statistics are reported in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

RESES: The top quartile is assigned 1 for the treatment, while the rest is assigned 0 for the control group.

RESESB is a binary variable. 1 is used for the treatment, while 0 is used for the control. **Table 6 by Authors.**

Table 7: PSM

	(1) AWARDS	(2) AWARDS	(3) AWARDS	(4) AWARDS	(5) AWARDS	(6) AWARDS	(7) AWARDS	(8) AWARDS
	Linear	Linear	Moderation	Moderation	Moderation	Moderation	Moderation	Moderation
RESES(t-1)	0.043*** (32.90)		0.038*** (18.55)		0.043*** (22.48)		0.052*** (12.61)	
RESESB(t-1)		1.19*** (29.65)		1.02*** (18.49)		1.18*** (19.65)		1.42*** (9.43)
RESES(t-1)*CCOMT(t-1)			0.0085*** (3.25)					
RESESB(t-1)*CCOMT(t-1)				0.27*** (3.54)				
RESES(t-1)*BDIVERS(t-1)					0.000069 (0.69)			
RESESB(t-1)*BDIVERS(t-1)						0.00093 (0.28)		
RESES(t-1)*BIND(t-1)							-0.00012** (-2.25)	
RESESB(t-1)*BIND(t-1)								-0.0031* (-1.67)
Controls	Included	Included	Included	Included	Included	Included	Included	Included
Country, Industry, Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	16028	26682	16028	26682	16028	26682	16028	26682
Pseudo R ²	0.233	0.216	0.233	0.216	0.233	0.216	0.233	0.216
χ^2 -stat.	2936.45***	3423.38***	2945.53***	3462.47***	2936.13***	3429.19***	2944.64***	3443.73***

This table presents the association between optimal and excessive CSR engagement and CSR awarding and the moderating effects of CSR committee, board gender diversity and board independence based on PSM. While a binary variable of AWARDS reflects CSR award existence (taking 1 if it exists, and 0 if not), PREEES reflects the predicted ES value calculated by Equation (1), and RESES shows residual ES value calculated by Equation (1), and RESES is a binary variable taking 1 if the residuals obtained in Equation (1) are positive, 0 otherwise. All research variables are defined in Table 1. *t* statistics are reported in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

RESES: The top quartile is assigned 1 for the treatment, while the rest is assigned 0 for the control group.

RESESB is a binary variable. 1 is used for the treatment, while 0 is used for the control. **Table 7 by Authors.**

Table 8: IVPROBIT regression analysis

	(1)	(2)	(3)	(4)
	RESES(t-1)	AWARDS	RESESB(t-1)	AWARDS
	1 st stage	2 nd stage	1 st stage	2 nd stage
RESES(t-2)	0.87*** (314.21)			
RESES-IndAve(t-1)	-0.073* (-1.67)			
RESESB(t-2)			0.69*** (175.82)	
RESESB-IndAve(t-1)			-0.024 (-0.38)	
RESES(t-1)		0.028*** (46.71)		
RESESB(t-1)				0.92*** (37.14)
Controls	Included	Included	Included	Included
Country, Industry, Year FE	Yes	Yes	Yes	Yes
Wald test of exogeneity		7.23**		106.22***
N	31696	31696	31696	31696
F-stat.	1720.25***		539.18***	
χ^2 -stat.		8388.06***		7790.48***

This table presents the association between optimal and excessive CSR engagement and CSR awarding based on IVPROBIT. While a binary variable of AWARDS reflects CSR award existence (taking 1 if it exists, and 0 if not), PREES reflects the predicted ES value calculated by Equation (1), and RESES shows residual ES value calculated by Equation (1), and RESES is a binary variable taking 1 if the residuals obtained in Equation (1) are positive, 0 otherwise. All research variables are defined in Table 1. *t* statistics are reported in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

IV1: lag of testing variables

IV2: Industry year average of testing variables excluding focal firms. [Table 8 by Authors](#).

Table 9: Additional controls (PMR, EBH, and LAW)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	AWARDS	AWARDS	AWARDS	AWARDS	AWARDS	AWARDS	AWARDS	AWARDS
	Linear	Linear	Moderation	Moderation	Moderation	Moderation	Moderation	Moderation
RESES(t-1)	0.047*** (48.60)		0.045*** (30.83)		0.048*** (35.53)		0.056*** (19.35)	
RESESB(t-1)		1.26*** (40.62)		1.18*** (24.65)		1.33*** (29.38)		1.61*** (16.35)
RESES(t-1)*CCOMT(t-1)			0.0037* (1.95)					
RESESB(t-1)*CCOMT(t-1)				0.15** (2.39)				
RESES(t-1)*BDIVERS(t-1)					-0.000072 (-1.02)			
RESESB(t-1)*BDIVERS(t-1)						-0.0047** (-1.97)		
RESES(t-1)*BIND(t-1)							-0.00012*** (-3.20)	
RESESB(t-1)*BIND(t-1)								-0.0047*** (-3.71)
Controls	Included	Included	Included	Included	Included	Included	Included	Included
Country, Industry, Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	30535	30535	30535	30535	30535	30535	30535	30535
Pseudo R ²	0.294	0.270	0.294	0.270	0.294	0.270	0.294	0.271
χ ² -stat.	12039.90***	11059.12***	12043.71***	11064.83***	12040.94***	11063.01***	12050.30***	11073.05*****

This table presents the association between optimal and excessive CSR engagement and CSR awarding and the moderating effects of CSR committee, board gender diversity and board independence with additional controls. While a binary variable of AWARDS reflects CSR award existence (taking 1 if it exists, and 0 if not), PREEES reflects the predicted ES value calculated by Equation (1), and RESES shows residual ES value calculated by Equation (1), and RESES is a binary variable taking 1 if the residuals obtained in Equation (1) are positive, 0 otherwise. All research variables are defined in Table 1. PMR, EBH, and LAW are used as additional control variables (please see their definitions in Table 1). *t* statistics are reported in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. **Table 9 by Authors.**

Table 10: Excluding USA, UK, and Japan

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	AWARDS	AWARDS	AWARDS	AWARDS	AWARDS	AWARDS	AWARDS	AWARDS
	Linear	Linear	Moderation	Moderation	Moderation	Moderation	Moderation	Moderation
RESES(t-1)	0.042*** (34.51)		0.040*** (23.23)		0.042*** (25.39)		0.052*** (9.13)	
RESESB(t-1)		1.16*** (29.28)		1.09*** (18.88)		1.20*** (21.46)		1.61*** (8.42)
RESES(t-1)*CCOMT(t-1)			0.0048** (2.07)					
RESESB(t-1)*CCOMT(t-1)				0.13* (1.74)				
RESES(t-1)*BDIVERS(t-1)					-0.0000019 (-0.02)			
RESESB(t-1)*BDIVERS(t-1)						-0.0028 (-0.98)		
RESES(t-1)*BIND(t-1)							-0.00012* (-1.70)	
RESESB(t-1)*BIND(t-1)								-0.0056** (-2.40)
Controls	Included	Included	Included	Included	Included	Included	Included	Included
Country, Industry, Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	17675	17675	17675	17675	17675	17675	17675	17675
Pseudo R ²	0.263	0.244	0.263	0.244	0.263	0.244	0.263	0.245
χ^2 -stat.	6342.43***	5898.26***	6346.72***	5901.29***	6342.43***	5899.22***	6345.31***	5904.03***

This table presents the association between optimal and excessive CSR engagement and CSR awarding and the moderating effects of CSR committee, board gender diversity and board independence by excluding the USA, UK, and Japan. While a binary variable of AWARDS reflects CSR award existence (taking 1 if it exists, and 0 if not), PREES reflects the predicted ES value calculated by Equation (1), and RESES shows residual ES value calculated by Equation (1), and RESES is a binary variable taking 1 if the residuals obtained in Equation (1) are positive, 0 otherwise. All research variables are defined in Table 1. *t* statistics are reported in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. **Table 10 by Authors.**

Table A1: Country-level sampling distribution

	Country	Unique firms	Percent	Data points	Percent
1	Argentina	46	0.79	109	0.25
2	Australia	308	5.28	2,534	5.78
3	Austria	23	0.39	176	0.40
4	Belgium	37	0.63	305	0.70
5	Brazil	78	1.34	572	1.31
6	Canada	245	4.20	2,192	5.00
7	Chile	33	0.57	228	0.52
8	China	373	6.39	1,139	2.60
9	Colombia	15	0.26	79	0.18
10	Denmark	37	0.63	362	0.83
11	Finland	32	0.55	380	0.87
12	France	137	2.35	1,244	2.84
13	Germany	152	2.60	1,175	2.68
14	Greece	17	0.29	136	0.31
15	Hong Kong	187	3.20	1,472	3.36
16	India	112	1.92	721	1.65
17	Indonesia	33	0.57	260	0.59
18	Italy	71	1.22	475	1.08
19	Japan	375	6.43	5,122	11.69
20	Korea; Republic (S. Korea)	117	2.00	915	2.09
21	Malaysia	49	0.84	394	0.90
22	Mexico	38	0.65	276	0.63
23	Netherlands	45	0.77	414	0.95
24	New Zealand	42	0.72	287	0.66
25	Norway	54	0.93	369	0.84
26	Peru	26	0.45	90	0.21
27	Philippines	16	0.27	140	0.32
28	Poland	30	0.51	176	0.40
29	Portugal	15	0.26	120	0.27
30	Russia	35	0.60	316	0.72
31	Saudi Arabia	20	0.34	83	0.19
32	Singapore	32	0.55	405	0.92
33	South Africa	89	1.53	738	1.68
34	Spain	56	0.96	487	1.11
35	Sweden	110	1.88	729	1.66
36	Switzerland	98	1.68	742	1.69
37	Taiwan	128	2.19	1,045	2.39
38	Thailand	33	0.57	244	0.56
39	Turkey	43	0.74	191	0.44
40	United Kingdom	312	5.35	3,224	7.36
41	United States of America	2137	36.62	13,737	31.36
	Total	5,836	100.00	43,803	100.00

This table presents the sample distribution across countries and shows the number of unique firms and data points for countries.

Table A1 by Authors.

ⁱ Recent studies (e.g. Basu et al., 2022; Dikolli et al., 2022; Christensen et al., 2021) highlight a critical issue in CSR: the gap between CSR disclosures (communication and reporting of CSR activities) and actual CSR performance (implementation of CSR and its impact). This disparity raises skepticism about the authenticity of CSR initiatives, with concerns that CSR disclosures may serve more as strategic reputation management than genuine commitment. The challenge is exacerbated by difficulties in measuring real-world impacts and the inadequacy of mandatory CSR reporting to ensure alignment between CSR disclosures and actual CSR performance.

ⁱⁱ Please see the methodology section for extraction of aggressive/excessive CSR level with a separate regression model.

ⁱⁱⁱ We follow prior studies by using the equally-weighted average of environmental and social performance to measure CSR performance (Ioannou and Serafeim, 2012; Yang and Yulianto, 2022; Lynch and O'Hagan-Luff, 2023).

^{iv} Following prior studies, we exclude financial sector due to its diverging financial characteristics than the other sectors and exposure to differing regulations (Lucas-Pérez et al., 2015; Muttakin et al., 2018).

^v Following Iliev and Roth (2018), we drop countries with less than 10 firms due to the possibility of not producing reliable results.

^{vi} ADVEXP, CHOLD, CFLOW, NPM, LVR, MTB, RDI, and ATOVER are winsorised from Phase I, while BSIZE, ROA, LVR, and CRATIO are winsorised from Phase II.

^{vii} According to the missing value analysis, the distribution of the missing values are as follows: AWARDS – 0.08%, BDIVERS – 1.82%, BSIZE – 0.42%, BIND – 2.90%, FSIZE – 0.19%, ROA – 0.19%, LVR – 0.19%, CRATIO – 1.32%, FFLOAT – 0.99%, and GDP – 2.46%.

^{viii} 13,333 observations of the financial sector, 445 observations from the countries with less than 10 unique firms, 19 significant outliers, and 1,592 missing observations from Phase I are excluded from the initial sample.

^{ix} Sector-level sample distributions are as follows: telecommunications services – 3.1%, utilities – 5.59%, energy – 8.53%, consumer non-cyclicals – 8.91%, healthcare – 8.99%, technology – 11.51%, basic materials – 13.16%, consumer cyclicals – 18.95%, and industrials – 21.26%.

^x Please see Table 1 for the definitions of these additional control variables.

^{xi} Indeed, given that we take the average of environmental (68 indicators) and social (62 indicators) responsibility, including 130 indicators (Refinitiv, 2022) in total, out of which only one metric is for CSR awarding, the overlap between variable of interest and dependent variable is not serious. Furthermore, we use raw CSR values in Phase I and use the residuals extracted from Phase I in Phase II, where the response variable is CSR awarding, which further alleviates the effect of overlap in the results. We mean raw CSR values and CSR awarding are not used in the same equation. Further, in the calculation of environmental and social scores, Thomson Reuters Eikon/Refinitiv considers the relative sum of the category weights, which vary per industry for the environmental and social categories, making it almost impossible to separate one indicator (i.e. CSR awarding) from the overall scoring system (Refinitiv, 2022).