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ARTICLE

# Shareholder election of CSR committee members and its effects on CSR performance

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## Abstract

We examine the election of directors to corporate social responsibility (CSR) committees and whether shareholder votes influence CSR committee effectiveness. Our study is motivated by the importance that shareholders place on CSR and the responsibilities of the board in overseeing a firm's CSR practices. We find that CSR committee members receive greater shareholder support than other directors. We further find that among CSR committee members, those who are more experienced and skilled receive greater shareholder support. Furthermore, when a firm's CSR performance is poorer (better), CSR committee members receive lower (greater) shareholder support compared with other directors. Finally, we find that through voting, shareholders can increase the efficacy of the CSR committee, leading to improvements in CSR committee structure and performance. Overall, our results suggest that shareholders value the services and expertise of CSR committee members and hold them accountable for CSR performance. Shareholder votes are also effective in enhancing CSR performance.

**KEYWORDS**
CSR committee, CSR expertise, CSR performance, Director elections

JEL CLASSIFICATION
G30, G34

## 1 | INTRODUCTION

The past decade has seen an increase in calls for greater shareholder rights, and shareholder voting in director elections has become an important means by which shareholders convey their assessments of director performance (Cai et al., 2009; Ertimur et al., 2012; Gal-Or et al., 2018). Regulatory changes such as the enactment of the *Dodd–Frank Wall Street Reform and Consumer Protection Act* (2010; hereafter the *Dodd–Frank Act*), the enhancement of proxy disclosure, and the adoption of proxy access proposals highlight regulators' efforts to improve the efficacy of shareholder voting in director elections. In our study, we examine the election of corporate social responsibility (CSR) committee members by shareholders and its effects on CSR performance.

Our study is important for two reasons. First, shareholders consider CSR to be important.[1] Previous research suggests that shareholders incorporate CSR performance along with financial returns in their investment and capital allocation decisions (Brooks & Oikonomou, 2018; Chen et al., 2020; Dyck et al., 2019; Elliott et al., 2014; Gregory et al., 2016; Hillman & Keim, 2001; Khan et al., 2016; Kim et al., 2019; Kim et al., 2018). Furthermore, studies suggest that shareholders value CSR activities even when such activities do not result in greater financial returns (Mackey et al., 2007). As reported by Heinkel et al. (2001) and Riedl and Smeets (2017), shareholders are willing to sacrifice returns and invest in socially responsible firms. Shareholders also respond to CSR-related news and disclosures (Benlemlih et al., 2020; Griffin & Sun, 2013; Krüger, 2015; Martin & Moser, 2016), and shareholder demands for CSR have increased significantly over the years (Michelon & Rodrigue, 2015; Monks et al., 2004; O'Rourke, 2003).

Second, the board of directors is considered responsible for CSR-related issues (Kassinis & Vafeas, 2002; Rao & Tilt, 2016).[2] Indeed, some boards amend their CSR agenda to acknowledge their responsibilities to different groups of stakeholders with diverse interests (Berthelot & Magnan, 2003; Jones & Wicks, 1999). Furthermore, a growing number of boards have established a CSR committee as a key component of their governance mechanisms to address sustainability opportunities and risks (Lublin, 2008; Michals, 2009; Montagnon, 2016; Spitzeck, 2009).[3] For example, the proportion of S&P 500 firms with a CSR committee has increased significantly from 7% in 2002 to 19% in 2016 (see Figure 1).[4] The establishment of a CSR committee may be considered the board's formal commitment to stakeholders and a deliberate strategy to show the firm's responsibility for social and environmental issues (Burke et al., 2019; Dixon-Fowler et al., 2017; Eccles et al., 2014). Investigating the election of CSR committee members by shareholders will enhance our understanding of (1) whether shareholders value directors' service on the CSR committee;

[1] Anecdotal evidence supports this view. For example, State Street Global Advisors CEO Cyrus Taraporevala states, "[environmental, social, and governance issues] have become much more important for us as long-term investors" (Eccles & Klimenko, 2019, para. 4). BlackRock CEO Laurence Fink states, "every company must not only deliver financial performance but also show how it makes a positive contribution to society" (Fink, 2018, para. 3). Furthermore, in 2020, BlackRock voted against the re-election of directors because of their inaction on climate issues (Mooney, 2020).

[2] For example, previous research indicates that CSR has become a crucial item on board agendas (Kakabadse, 2007), with boards responsible for achieving CSR goals (Elkington, 2006; Jamali et al., 2008) and avoiding breaches of CSR standards (Mackenzie, 2007). Furthermore, findings from Khoo et al. (2021) suggest that the reputational incentives of independent directors have a positive influence on firms' CSR performance. Numerous studies also demonstrate that various board attributes such as independence (Johnson & Greening, 1999; Post, Rahman, & Rubow, 2011; Zhang, Zhu, & Ding, 2013), diversity (Bear, Rahman, & Post, 2010; Harjoto, Laksmana, & Lee, 2015), and expertise (Homroy & Slechten, 2019) affect CSR performance.

[3] By 2012, approximately 25% of Fortune 500 companies had a specialized board committee to oversee environmental issues, representing an increase from less than 5% 15 years previously (Dixon-Fowler et al., 2017; Lublin, 2008).

[4] We test the moderating effects of more recent time periods on our main analyses. Specifically, we first define *RECENT* as an indicator variable that equals 1 for fiscal years 2010 onward, and 0 for fiscal years prior to 2010. We then include the interaction between our test variable and *RECENT* in our main analyses. We find that the coefficient of the interaction term is not statistically significant in all analyses. These results do not support the notion that shareholder attention or effectiveness toward CSR performance is a recent trend. Indeed, while many companies start to adopt CSR as an essential strategy around the 2000s, the concept of CSR can be traced to several centuries back (Agudelo, Jóhannsdóttir, & Davídsdóttir, 2019; Carroll, 2008) and has gained widespread approval among companies since the 1990s (Carroll, 1991; Wood, 1991).

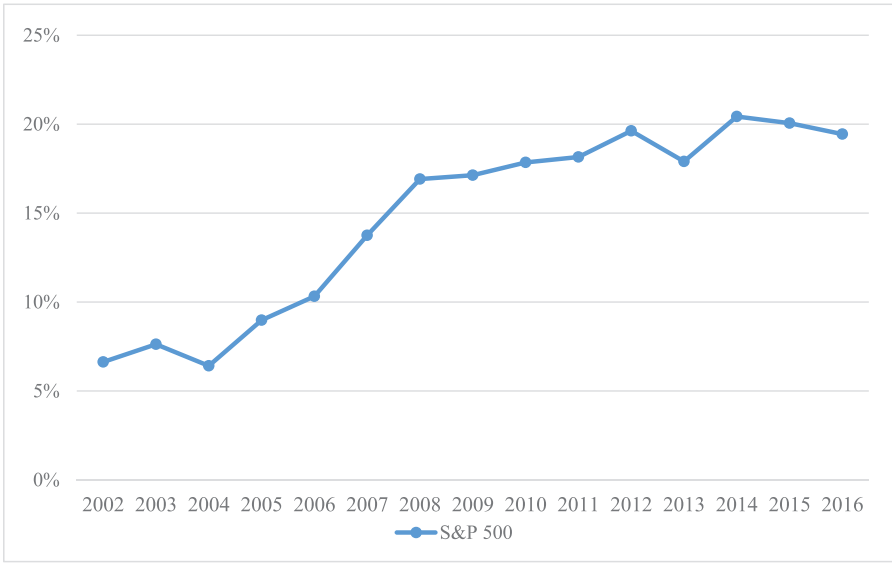


**FIGURE 1** Percentage of firms with a CSR committee

*Source*: BoardEx

(2) whether shareholders value CSR committee members with CSR-related expertise; (3) whether shareholders hold CSR committee members accountable for firms' CSR performance and (4) whether shareholders' votes influence the effectiveness of the CSR committee in enhancing CSR performance.

We begin by investigating whether shareholders value service on the CSR committee at the individual director level. Given shareholders' attention to CSR (Chen et al., 2020; Dyck et al., 2019; Elliott et al., 2014; Khan et al., 2016; Krüger, 2015) and the pivotal role of CSR committee members in improving CSR performance (Burke et al., 2019; Dixon-Fowler et al., 2017; Homroy & Slechten, 2019), we argue that shareholders are likely to recognize the value of the services provided by CSR committee members. As such, we expect shareholders to grant greater support to CSR committee members relative to other directors. Next, we investigate whether shareholders value the CSR-related expertise of CSR committee members, a characteristic that is consistently shown to be instrumental in promoting greater CSR performance (Homroy & Slechten, 2019; Peters & Romi, 2014, 2015). Given that CSR committee members with relevant expertise are likely to be better equipped to perform their duties related to promoting CSR performance, we expect shareholders to value and support CSR committee members with CSR-related experience and skills more than they do other CSR committee members.

At the firm level, we examine whether shareholders are less (more) supportive of CSR committees in firms with poorer (better) CSR performance. Previous research finds that shareholder support is associated with director performance on specific committees such as audit (Gal-Or et al., 2018) or remuneration committees (Ertimur et al., 2012). Given that the CSR committee is responsible for overseeing CSR issues (Burke et al., 2019; Dixon-Fowler et al., 2017), we expect that shareholder support for CSR committee members will be lower (higher) than that for non-CSR committee members when firm CSR performance is poorer (better). Finally, we examine the effectiveness of CSR committee elections. Following previous studies on the efficacy of shareholder voting (Aggarwal et al., 2019; Cai et al., 2009; Fischer et al., 2009; Gal-Or et al., 2016), we expect that low shareholder support for the CSR committee will result in fundamental changes to the CSR committee structure and subsequent improvement in CSR performance.

To examine these issues, we adopt a base sample of 10,502 director elections for 1253 firm-year observations from 2002 to 2016. As the purpose of our study is to examine shareholder voting on CSR committee members, our sam-

ple is restricted to firms with a CSR committee.[5] We obtain director and corporate governance data from BoardEx, shareholder voting data from Institutional Shareholder Services (ISS) Voting Analytics, and CSR data from Thomson Reuters ASSET4 (currently known as Refinitiv). Furthermore, we collect data on director skills from descriptions of director skills disclosed in proxy statements under Regulation S-K (Adams et al., 2018).

Our analyses yield several key findings. First, we find that CSR committee members receive a significantly higher percentage of "for" votes than non-CSR committee members. To rule out the possibility of our results being driven by inherent director characteristics, we exclude directors who have never served on a CSR committee and those who serve on the CSR committee every year during our sample period. Furthermore, we adopt a difference-in-differences design using each director as his/her own control and investigate shareholder votes for directors before and after the formation of a CSR committee. The results from both analyses support the proposition that shareholders value the services of CSR committee members. As firms with a CSR committee are not a random sample of the firm population, we mitigate possible selection bias by estimating a two-stage Heckman correction model and obtain consistent results.

Second, we find that CSR committee members with CSR-related skills and experience receive a significantly higher percentage of "for" votes than those without, suggesting that shareholders value these individuals and recognize that they are more capable of serving on CSR committees and enhancing CSR performance. Our results are consistent with studies that find CSR committee members with CSR expertise perform better (Homroy & Slechten, 2019; Peters & Romi, 2014, 2015) and the increasing demand for executives with CSR-related skills in the labor market (Thompson, 2020; Winston, 2015).

Third, we find that CSR committee members receive a lower (higher) percentage of "for" votes in firms with poorer (better) CSR performance. In contrast, we find no significant results for non-CSR committee members. These findings suggest that shareholders differentiate among the duties of directors based on their committee memberships (Ertimur et al., 2012; Gal-Or et al., 2018), holding CSR committee members accountable for firms' CSR performance. We further investigate the conditions under which the positive relationship between CSR performance and shareholder support for the CSR committee may vary, finding that this relationship is stronger in firms with high institutional ownership, high norm-constrained institutional ownership, and high dedicated institutional ownership.[6] Consistent with previous research (Chen et al., 2020; Dyck et al., 2019; Cahan et al., 2017; Kim et al., 2019), our results suggest that institutional shareholders, particularly norm-constrained and dedicated institutional shareholders, are more likely to respond to CSR performance through their votes.

Fourth, we find that low shareholder support for the CSR committee is associated with subsequent changes to the CSR committee structure and CSR performance. Specifically, low shareholder support for the CSR committee is associated with an increased likelihood that a CSR committee member will leave the board. In contrast, there is no significant effect on the departure of non-CSR committee members. Furthermore, we find that a CSR committee that receives low shareholder support is more likely to replace a departing CSR committee member with an experienced CSR committee member. We also find that the CSR committee is more likely to improve its subsequent CSR performance and issue a standalone CSR report following low shareholder support for the CSR committee. Our results suggest that boards react to low shareholder support, consistent with studies that highlight the efficacy of shareholder voting in director elections (Aggarwal et al., 2019; Fischer et al., 2009; Gal-Or et al., 2016).

Our study provides several important contributions to the literature. First, we contribute to the literature on uncontested director elections. Studies have predominantly examined shareholder voting at the level of the whole

[5] As a result of this sample restriction, our sample size is much smaller compared to the overall population of firms. We note two limitations to this design choice. First, as our study does not examine shareholder voting for directors in firms without a CSR committee (e.g., whether shareholder provides greater support to directors with CSR-related expertise or whether CSR performance affects shareholder voting for directors in firms without a CSR committee), our results may not be generalizable to these firms. Second, we face potential sample selection issues when drawing inferences from firms that voluntarily form a CSR committee. While we mitigate possible selection bias by using a two-stage Heckman correction model (see section "Two-Stage Heckman Correction Model"), the bias may not be entirely eliminated.

[6] Norm-constrained institutions are those exposed to social norms and public scrutiny (Cahan et al., 2017; Hong & Kacperczyk, 2009) such as pension funds, universities and religious, charitable and non-for-profit institutions. Dedicated institutions are those that hold large stakes in relatively few firms and have a low portfolio turnover (Bushee, 1998).

board (Cai et al., 2009; Fischer et al., 2009) or specific board committees such as audit (Gal-Or et al., 2016, 2018; Kachelmeier et al., 2016) or remuneration committees (Cai et al., 2009; Ertimur et al., 2012).[7] We focus on shareholder voting in the CSR committee, which, to the best of our knowledge, has not previously been investigated. Unlike audit and remuneration committees, which are mandated, CSR committees are voluntary. Furthermore, in contrast to the traditional financial reporting and compensation responsibilities of audit and remuneration committees, the responsibilities of CSR committees are typically nonfinancial (Dixon-Fowler et al., 2017). We demonstrate that shareholders value the services of CSR committee members and grant them greater support.

Second, we extend previous studies that demonstrate the benefits of CSR-related expertise (Homroy & Slechten, 2019; Peters & Romi, 2014, 2015) by documenting that shareholders recognize the value of CSR committee members with CSR-related expertise. The increased support to these CSR committee members reflects shareholders' attention to CSR performance and their recognition of the importance of CSR-related expertise within the CSR committee in improving CSR performance.

Third, while previous studies emphasize the importance of the board and CSR committee in enhancing CSR performance (Burke et al., 2019; Dixon-Fowler et al., 2017; Elkington, 2006; Jamali et al., 2008; Khoo et al., 2021; Mackenzie, 2007; Rao & Tilt, 2016), research on the effect of firm CSR performance on directors is limited.[8] We extend this line of research by examining shareholder votes for directors up for election in response to firms' CSR performance. Furthermore, we add to the literature on differential voting outcomes for directors based on their specific committee involvement (Ertimur et al., 2012; Gal-Or et al., 2018), finding that shareholders hold CSR committee members accountable for firms' CSR performance by voting less (more) favorably for CSR committee members than for other board members when a firm's CSR performance is poorer (better).

Fourth, we contribute to the literature on the efficacy of shareholder voting in director elections (Aggarwal et al., 2019; Fischer et al., 2009; Gal-Or et al., 2016) by examining how boards react to low shareholder support for the CSR committee. Our results suggest that shareholders can influence the CSR committee's oversight of CSR practices by voting differently for CSR and non-CSR committee members. Our findings also provide early evidence of the effectiveness of shareholder voting in director elections as a governance mechanism to improve CSR performance, a key aspect of nonfinancial performance. Finally, our study provides insights into shareholder voting using a more recent sample of data through 2016. The majority of studies examine shareholder voting using data prior to 2010 (Cai et al., 2009; Ertimur et al., 2018; Gal-Or et al., 2016, 2018). Our findings shed light on more recent developments in the area of shareholder voting, including the implementation of the *Dodd-Frank Act* and the widespread adoption of proxy access proposals.

## 2 | BACKROUND ON DIRECTOR ELECTIONS

In the wake of various corporate governance scandals, shareholder activism has increased in the past decade, and shareholder voting has become a fundamental attribute of sound corporate governance systems. In particular, voting in director elections has become an important way for shareholders to express their views on director performance (Cai et al., 2009; Ertimur et al., 2012, 2018; Gal-Or et al., 2018). Although votes in director elections are nonbinding, studies suggest that they do matter and have consequences for both directors (Aggarwal et al., 2019) and firms (Fischer et al., 2009; Gal-Or et al., 2016).

[7] For example, in the context of the audit committee, Kachelmeier et al. (2016) find that shareholder dissent increases the extent to which audit committee ineffectiveness lead to greater audit committee member turnover, while Gal-Or et al. (2018) find that audit committee members, particularly those with accounting expertise, receive greater shareholder support. In the context of the remuneration committee, Ertimur et al. (2012) find that following the revelation of option backdating, shareholders withhold more votes from remuneration committee members who were in charge of overseeing executives' compensation contracts. Similarly, Cai et al. (2009) find that remuneration committee members receive significantly fewer votes when the CEO receives higher abnormal compensation.

[8] An exception is Hickman, Korkeamäki, & Meyer (2017), who examine the labor market consequences of board members in the form of director turnover and the number of boards held following CSR lapses.

Various regulations have led to an increased emphasis on shareholder voting with the aim of empowering shareholders and rendering director elections more meaningful. For example, the *Dodd–Frank Act* of 2010 grants shareholders the right to vote on executive pay. In 2009, the US Securities and Exchange Commission (SEC, 2009b) released a final rule requiring firms to disclose directors' and nominees' qualifications, previous directorships, and legal proceedings to inform shareholders' voting decisions. In 2010, the SEC proposed a proxy access rule (*Exchange Act* Rule 14a-11) that would grant long-term shareholders the ability to nominate director candidates. Although this rule faced strong opposition from corporations and was eventually retracted by the SEC, recent articles report that there has been widespread adoption of proxy access by large US public companies since 2015 (Ackerman & Lubin, 2015; Sidley Austin, 2019).[9] Furthermore, the SEC amended Rule 452 of the New York Stock Exchange (NYSE) in 2010, barring brokers from voting uninstructed shares in uncontested board elections (SEC, 2009a).[10] Given that broker votes are typically cast in favor of management (Bethel & Gillan, 2002), this amendment may help increase the efficacy of director election votes. Overall, these regulatory changes demonstrate the efforts of regulators to enhance the effectiveness of shareholder voting.

## 3 | LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### 3.1 | Shareholder support of CSR committee members

The CSR committee assumes responsibility for creating and implementing social and environmental policies and procedures, developing CSR-related performance metrics and reporting, integrating CSR strategies and risk management and coordinating and monitoring CSR-related issues. The CSR committee oversees the interests of a range of stakeholder groups, including the community, employees, customers and the environment, thus developing opportunities to create and protect shareholder value and avoiding the negative effects of irresponsible firm behavior (Burke et al., 2019). Recent studies show that the CSR committee is associated with improved CSR performance and reporting.[11]

We investigate how shareholders perceive CSR committee members. Previous research finds that shareholder support for board members varies according to member attributes, actions and responsibilities (Ertimur et al., 2012; Gal-Or et al., 2018). Given the increased interest of shareholders in CSR (Chen et al., 2020; Dyck et al., 2019; Elliott et al., 2014; Khan et al., 2016; Krüger, 2015) and the importance of the CSR committee in enhancing CSR performance and reporting (Burke et al., 2019; Dixon-Fowler et al., 2017; Homroy & Slechten, 2019), we argue that shareholders are likely to value the services provided by CSR committee members and, as a result, grant them greater support relative to other board members.

However, it is possible that shareholders pay more attention to financial reporting and remuneration, which has a greater direct effect on their returns. Consequently, shareholders may perceive CSR committee members as less important than members of mandated committees such as audit or remuneration committees. Therefore, it is unclear whether shareholders grant higher or lower support to CSR committee members. Thus, we propose the following nondirectional hypothesis:

**H1**: Shareholder support of CSR committee members differs from that of other board members.

[9] Sidley Austin (2019) reports that proxy access initiatives had limited success prior to 2015, with only fifteen US firms adopting them. However, in 2018, proxy access was mainstream at most S&P 500 companies (71%) and many Russell 1000 companies (48%).

[10] Under Rule 452, brokers can vote shares held in street name on routine matters, including uncontested director elections.

[11] For example, Dixon-Fowler et al. (2017) find that firms with environmental committees have significantly higher proactive environmental performance than those without. Burke et al. (2019) suggest that the association between sustainability committees and sustainability performance outcomes is stronger when committees focused on specific stakeholder groups are paired with relevant performance outcomes. Furthermore, studies find that environmental committees influence firms' decisions about carbon emissions disclosures and voluntary assurance of corporate sustainability reports (Liao et al., 2015; Peters & Romi, 2014, 2015).

## 3.2 | CSR committee members' expertise

Previous studies suggest that board committee member expertise is associated with improvements in committee performance.[12] CSR-related expertise is likely to be an important attribute of CSR committee members to enhance CSR performance, particularly given that CSR is a long-term investment involving many uncertainties in its understanding, implementation and outcomes (Lepoutre et al., 2007; Wang & Bansal, 2012; Wood, 1991). Previous findings show that environmental committees comprising directors with CSR expertise are positively associated with lower greenhouse gas emissions (Homroy & Slechten, 2019), greater transparency of greenhouse gas emissions disclosure (Peters & Romi, 2014), and the adoption of sustainability assurance services from professional accounting firms (Peters & Romi, 2015). These authors argue that CSR committee members with CSR-related expertise are better able to offer advice on CSR issues, provide access to resources, identify elements of CSR management that are most suitable for the firm, foster greater responsibility toward CSR goals, oversee CSR issues, and be more engaged with strategic CSR activities (Homroy & Slechten, 2019; Peters & Romi, 2015).

We investigate how shareholders perceive CSR committee members with CSR-related experience and skills. Previous research finds that shareholders value audit committee members with accounting expertise and recognize that they are better qualified to serve on audit committees (DeFond et al., 2005; Gal-Or et al., 2018). Consistent with this, we expect shareholders to recognize that CSR committee members with CSR-related skills and experience are better equipped and suited to serve on CSR committees, thus providing more support for these directors than for nonskilled and nonexperienced CSR committee members.

However, other directors on the CSR committee are also likely to possess valuable skills and experience (e.g., governance skills or experience as top executives of other firms) and be able to perform multiple board tasks. Because it is unclear whether shareholders will grant higher or lower support to CSR committee members with relevant skills and experience, we propose the following nondirectional hypothesis:

**H2**: Shareholder support of CSR committee members with CSR-related skills and experience differs from that of CSR committee members without these skills and experience.

## 3.3 | CSR committee elections and CSR performance

The previous hypotheses relate to individual CSR committee members. In the following sections, we develop hypotheses at the firm level. Studies suggest that shareholders value CSR (e.g., Elliott et al., 2014; Krüger, 2015). Research shows that negative CSR events and poor environmental performance are negatively associated with shareholder returns and market valuation (Konar & Chen, 2001; Krüger, 2015; Thomas, 2001). In contrast, high CSR performance can benefit shareholders in the form of increased profitability, reputation and firm value (e.g., Deng et al., 2013; Flammer, 2015; Orlitzky et al., 2003; Waddock & Graves, 1997).[13] Even if CSR activities do not result in greater financial

[12] For example, greater accounting expertise among audit committee members is related to better financial reporting quality (Abbott, Parker, & Peters, 2004; Dhaliwal, Naiker, & Navissi, 2010; Erkens & Bonner, 2013).

[13] For example, Deng et al. (2013) find that CSR creates value for acquiring firms' shareholders because acquirers with good CSR performance achieve greater merger performance. Flammer (2015) finds that CSR leads to greater stock returns and accounting performance. Nguyen et al. (2020) find that CSR activities generate value for long-term investors, particularly through a reduction in cash flow risk. Other authors argue that CSR activities can create value for shareholders through the creation of insurance-like protection against the risk of negative attention or regulatory actions in the case of negative corporate events (Godfrey, Merrill, & Hansen, 2009; Hillman & Keim, 2001; Minor & Morgan, 2011; Peloza, 2006). Greater CSR performance can also benefit shareholders indirectly through increased firm attractiveness to customers and employees (Arora & Henderson, 2007; Greening & Turban, 2000; Maignan, Ferrell, & Hult, 1999; Sen & Bhattacharya, 2001), improved financial reporting quality (Kim, Park, & Wier, 2012), and reduced information asymmetry (Cho, Lee, & Pfeiffer, 2013).

returns, shareholders may still value CSR (Mackey et al., 2007). Consistent with these arguments, Cullinan et al. (2017) find that shareholders are more supportive of directors of firms with satisfactory CSR performance.[14]

A related question is whether shareholders designate equal levels of CSR accountability to directors who are not directly responsible for CSR performance. Previous research suggests that shareholders differentiate between directors based on the latter's assigned responsibilities, committee memberships and membership characteristics. For example, Gal-Or et al. (2018) find that shareholders' approval ratings of audit committee members are lower than they are for other independent directors when oversight over financial reporting processes is poor. Ertimur et al. (2012) find that remuneration committee members receive fewer shareholder votes than do other directors following the revelation of options backdating. Given that the CSR committee is specifically responsible for overseeing and addressing CSR-related issues (Burke et al., 2019; Dixon-Fowler et al., 2017), we predict that shareholders will grant lower (greater) support to CSR committee members than to non-CSR committee members in response to poorer (better) CSR performance. Thus, we propose the following hypothesis:

**H3**: Shareholder support for CSR committee members is lower (higher) than that for other directors when CSR performance is poorer (better).

## 3.4 | Effectiveness of CSR committee elections

An important question in the shareholder voting literature is whether shareholder votes are effective. Aggarwal et al. (2019) find that shareholder votes have power and can have negative consequences for directors who receive few votes. These directors are more likely to depart boards, be moved to less prominent board positions, or be offered fewer opportunities as directors in the market. At the firm level, studies find that fewer shareholder votes are associated with higher CEO and board turnover, lower CEO compensation, fewer and better-received acquisitions and more and better-received divestitures subsequent to the vote (Cai et al., 2009; Fischer et al., 2009). These studies suggest that shareholder voting in director elections has consequences for directors and firms.

We examine the effectiveness of shareholder voting in the context of the CSR committee. First, we investigate whether boards respond to low shareholder support for the CSR committee by improving the structure of the CSR committee. Studies suggest that the effectiveness of the CSR committee can be enhanced by improving its structure (Johnson & Greening, 1999; Rao & Tilt, 2016; Walls et al., 2012). Given that the departure and appointment of CSR committee members may demonstrate a CSR committee's efforts to improve its structure, we expect that low shareholder support for the CSR committee will be associated with greater turnover and replacement of CSR committee members. We propose the following hypothesis:

**H4a**: Low shareholder support of the CSR committee is positively associated with subsequent changes to the CSR committee structure.

Next, we investigate whether boards respond to low shareholder support for the CSR committee by improving CSR performance. The CSR committee is responsible for firms' CSR practices, and its presence improves firms' CSR performance (Burke et al., 2019; Dixon-Fowler et al., 2017) and CSR reporting (Liao et al., 2015; Peters & Romi, 2014). Following previous research on board actions in response to low shareholder support (Cai et al., 2009; Fischer et al., 2009), we expect that the CSR committee will react to low shareholder support by improving its CSR performance. Thus, we propose the following hypothesis:

[14] While Cullinan et al. (2017) examine whether shareholders consider CSR performance when voting in director elections, they focus on all directors without controlling for whether they sat on a CSR committee.

**H4b**: Low shareholder support of the CSR committee is positively associated with subsequent improvements in CSR performance.

## 4 | RESEARCH DESIGN

### 4.1 | Data and sample selection

We collected data from various databases. Shareholder voting results and ISS voting recommendations are collected from ISS Voting Analytics, director characteristics and other governance data are collected from BoardEx, CSR data are collected from Thomson Reuters ASSET4, financial data are collected from Compustat, audit data are collected from Audit Analytics, data on stock returns are collected from the Center for Research in Security Prices and ownership data are collected from Thomson Reuters Institutional Holdings. We match the names of directors from ISS Voting Analytics to those in BoardEx. Furthermore, we match the fiscal year end date to the subsequent annual general meeting date. These matching procedures enable us to examine shareholder voting in response to board directors' committee memberships, their roles and areas of expertise and firms' CSR performance in the prior fiscal year.

Table 1 presents the sample selection procedure. We begin our sample selection with a group of firms with a CSR committee, as indicated by Thomson Reuters ASSET4. Our initial sample comprises 17,520 director-firm-year observations (2225 firm-year observations) from 2002 to 2016.[15] Given the differing nature of regulatory oversight, we exclude 2437 director-firm-year observations in the financial industry (two-digit Standard Industrial Classification codes 60–69). Given that executive and independent directors have different roles and incentives (Homroy & Slechten, 2019; Johnson & Greening, 1999), we exclude 2254 director-firm-year observations for nonindependent (executive) directors.[16] Finally, to facilitate within-board comparison, we follow Gal-Or et al. (2018) and remove 1331 (996) observations for firm-years in which only one CSR (non-CSR) committee member is up for election. Thus, we obtain a base sample of 10,502 director-firm-years (1253 firm-years).

For director-level analyses (H1 and H2), consistent with previous research (Gal-Or et al., 2018), we retain observations of directors who receive positive recommendations from ISS to remove the influence of negative assessments from the largest proxy advisor. Our final sample to test H1 comprises 7922 director-firm-year observations. Of these, 3633 directors serve on the CSR committee. Depending on data availability to determine CSR committee members' skills, our final sample to test H2 ranges from 2436 to 3193 director-firm-year observations.[17]

For firm-level analyses (H3, H4a and H4b), consistent with Gal-Or et al. (2018), we retain firms for which all directors have received positive recommendations from ISS. After excluding firms with missing variables, our final sample to test H3 and H4a consists of 717 and 715 firm-years, respectively. For H4b, to construct the lead/lag variables necessary to conduct the change analysis, we lose 140 firm-year observations, leading to a final sample of 575 firm-years.

[15] Our sample period begins from 2002, the first year of Thompson Reuters ASSET4.

[16] Previous research suggest that independent (nonexecutive) directors are more likely to promote CSR because they are more sensitive to society's needs (Ibrahim & Angelidis, 1995), more concerned about firm ethics (Ibrahim, Howard, & Angelidis, 2003), more likely to recognize the long-term potential of CSR investments (de Villiers, Naiker, & van Staden, 2011), and have better access to alternative sources of CSR knowledge and networks (Homroy & Slechten, 2019). In contrast, nonindependent directors tend to be more aligned with management, thus have a greater incentive to maximize short-term profits and are less likely to consider CSR performance. In our base sample, the majority of CSR committee members (94%) are independent. Hence, we focus on independent directors in our analyses. Our conclusions remain unchanged if nonindependent directors are included in our tests.

[17] We obtain skills data from the skills descriptions disclosed in the proxy statements subsequent to the 2009 amendment to Regulation S-K. Thus, analyses using skills data are restricted to 2009 onward.

**TABLE 1** Sample selection (2002–2016)

| | Director-firm-year | Firm-year |
|---|---|---|
| Firms with a CSR committee | 17,520 | 2,225 |
| Less: Financial firms (two-digit SIC codes 60–69) | (2,437) | (264) |
| Less: Nonindependent directors | (2,254) | (4) |
| Less: Observations where only one CSR committee member is up for election | (1,331) | (431) |
| Less: Observations where only one non-CSR committee member is up for election | (996) | (273) |
| Base sample | 10,502 | 1,253 |
| **Director level** | **Director-firm-year** | |
| Base sample | 10,502 | |
| Less: Missing variables | (2,224) | |
| Less: Directors receiving negative ISS recommendation | (356) | |
| Final sample for test of H1 | 7,922 | |
| CSR committee members | 3,633 | |
| Non-CSR committee members | 4,289 | |
| Total committee members | 7,922 | |
| CSR committee members | 3,633 | |
| Less: Missing prior experience data | (440) | |
| Less: Missing CSR-related skills data | (757) | |
| Final sample for test of H2 | 2,436 | |
| **Firm level** | **Firm-year** | |
| Base sample | 1,253 | |
| Less: Directors receiving negative ISS recommendation | (49) | |
| Less: Missing variables | (487) | |
| Final sample for test of H3 | 717 | |
| Less: Missing turnover data | (2) | |
| Final sample for test of H4a | 715 | |
| Less: Missing variables to construct lead/lag variables | (140) | |
| Final sample for test of H4b | 575 | |

*Note*: This table describes the sample selection process. The sample period spans from 2002 to 2016. The final sample for the test of H1 and H2 consists of 7922 and 2436 director-firm-years, respectively. The final sample for the test of H3, H4a and H4b consists of 717, 715 and 575 firm-years, respectively.

## 4.2 | Key measures

### 4.2.1 | Voting measures

We use several measures of shareholder votes to test our hypotheses. Following previous research (Cai et al., 2009; Fischer et al., 2009; Gal-Or et al., 2018), we define shareholder support for each director nominee as the number of "for" votes divided by the sum of "for" and withheld votes (*FOR_VOTES*).[18] Next, to examine director-level voting out-

[18] SEC Rule 14a-4(b) requires firms to provide shareholders with the option to vote to either support or withhold support for a director nominee. Thus, shareholders cannot directly vote against director nominees.

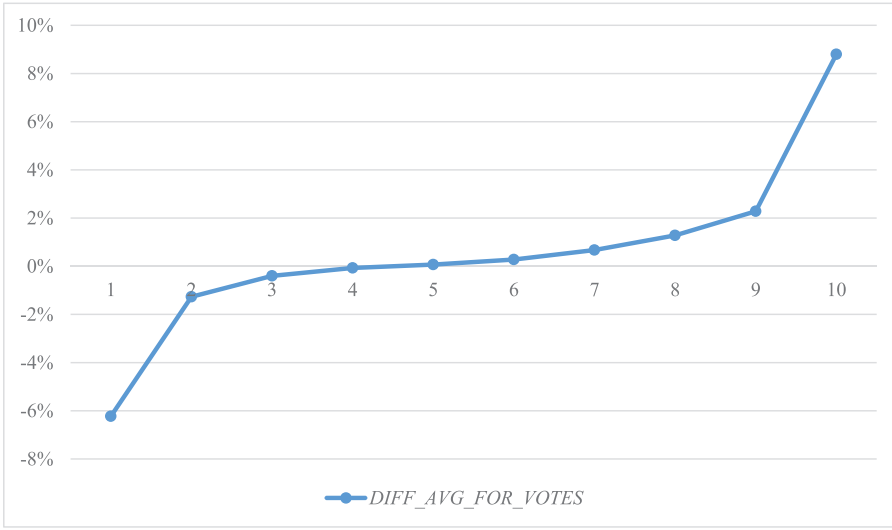


**FIGURE 2** Distribution of average *DIFF_AVG_FOR_VOTES* by decile

*Source*: ISS Voting Analytics

comes, we compute the level of "excess" votes for each director (Cai et al., 2009; Gal-Or et al., 2018). Specifically, to test H1, we adjust the votes for individual directors by subtracting the mean percentage of "for" votes for all directors standing for election at that firm in a given year (*ADJ_FOR_IND_VOTES*). To test H2, we adjust the votes for individual CSR committee members by subtracting the mean percentage of "for" votes for all CSR committee members standing for election at that firm in a given year (*ADJ_FOR_CSR_VOTES*). This adjustment is important because it represents a strong control for unobservable characteristics within a firm or an industry (Gal-Or et al., 2018). Specifically, firm and board performance, as well as other macroeconomic events, are likely to affect shareholder approval of individual directors, and it is not possible to fully control for these unobservable influences in our analyses. However, by adjusting each director's vote within a group of directors in a firm, we account for the overall shareholder approval of a specific board, thus capturing the votes for each director relative to other directors at the same firm.

To examine firm-level voting outcomes (H3), similar to previous research (Cai et al., 2009; Gal-Or et al., 2018), we compute the average percentage of "for" votes for two distinctive groups: CSR committee members (*AVG_FOR_CSR_VOTES*) and non-CSR committee members (*AVG_FOR_NONCSR_VOTES*). In addition, we compute the difference between the average percentage of "for" votes for CSR and non-CSR committee members (*DIFF_AVG_FOR_VOTES*; Gal-Or et al., 2016, 2018). This measure helps to control for firm-specific endogenous factors that may influence overall shareholder voting for CSR versus non-CSR committee members (Gal-Or et al., 2016). To examine shareholder dissatisfaction with the CSR committee (H4a and H4b), we follow Gal-Or et al. (2016) and define an indicator variable that equals 1 if *DIFF_AVG_FOR_VOTES* is in the lowest decile, and 0 otherwise (*LOW_DIFF_VOTES*). Consistent with Gal-Or et al. (2016), Figure 2 shows that the most significant observable negative difference between CSR and non-CSR committees is in the lowest decile, whereas differences in the other deciles are negligible.[19]

[19] The results of H4a and H4b are not statistically significant when we use *DIFF_AVG_FOR_VOTES* (rather than *LOW_DIFF_VOTES*) as the test variable. These findings, along with the distribution presented on Figure 2, suggest that boards are more likely to take action when shareholder votes exhibit significant observable variation between CSR and non-CSR committees. In other words, boards are less likely to react when shareholder votes do not demonstrate a strong indication of shareholder dissatisfaction on the CSR committee.

### 4.2.2 | CSR committee members

H1 examines shareholder voting for CSR committee members relative to other directors. To test H1, we define an indicator variable that equals 1 if a director is a CSR committee member, and 0 otherwise (*CSR_MEMBER*). We identify CSR committee members as directors who serve on a committee with at least one of the following terms in its name: *corporate responsibility*, *ethics*, *environment*, *social responsibility*, *sustainability*, *health*, *safety*, *public policy*, *public issues*, *public responsibility*, *public affairs*, *community development*, *charitable contributions*, or *contributions* (Burke et al., 2019; Peters & Romi, 2015). In addition, we differentiate between directors who only serve on the CSR committee (*CSR_ONLY*) and those who serve on both the CSR and other committees (*CSR_OTHERS*).

H2 examine the voting outcomes for CSR committee members with relevant CSR expertise. To test H2, we first identify whether the CSR committee member has recent prior experience in serving on a CSR committee (*CSR_EXP*), defined as an indicator variable equal to 1 if the CSR committee member has sat on at least one CSR committee in the past 3 years, and 0 otherwise.[20] We also identify whether the CSR committee member has relevant skills in the area of CSR. The 2009 amendment to Regulation S-K requires US public firms to disclose their reasons for nominating directors and the skills they believe each director brings to the firm. Following Adams et al. (2018), we identify director skills from the skill descriptions disclosed in the proxy statements under Regulation S-K.[21] CSR committee members are determined to have CSR-related skills if their skills description includes at least one of the following terms: *environmental*, *safety*, *sustainability*, *corporate responsibility*, *ethics*, or *social responsibility*. We define *CSR_SKILL* as an indicator variable equal to 1 if the CSR committee member possesses CSR-related skills, and 0 otherwise. Appendix A provides examples of directors' skills descriptions in the proxy statements.

### 4.2.3 | CSR performance measures

H3 examines shareholders' reactions to CSR performance. To test H3, we obtain data on firms' CSR performance from the Thomson Reuters ASSET4 database. Thomson Reuters ASSET4 specializes in providing objective, relevant, auditable and systematic environmental, social and governance (ESG) information. Trained research analysts collect 900 evaluation points for each firm, where all primary data used must be objective and publicly available. Thomson Reuters ASSET4 also provides investment analysis tools to professional investors, enabling them to incorporate ESG data into their traditional investment analysis. An estimated €2.5 trillion asset is invested under management using Thomson Reuters ASSET4 data. CSR ratings from the Thomson Reuters ASSET4 database are widely used in recent studies in leading journals, including Cheng et al. (2014), Clarkson et al. (2019), Dyck et al. (2019), Eccles et al. (2014), Hawn and Ioannou (2016) and Lys et al. (2015).[22]

ASSET4 evaluates firms' environmental performance based on three areas (emissions reduction, product innovation and resource reduction) and social performance based on seven areas (community, diversity and opportunity, employment quality, health and safety, human rights, product responsibility and training and development).

[20] Our results remain the same if we include: (1) previous experience in the following executive roles: health, safety, security, environment, sustainable development, stakeholder management, corporate responsibility, ethics, community, corporate compliance and regulatory issues; and (2) previous awards for and recognition of individual CSR directors such as Sustainable CEO of the Year, Corporate Responsibility Award, 50 Most Influential Environmental, Health and Safety Leaders, etc.

[21] One concern regarding the Regulation S-K data is that firms may not reveal the true reasons directors are valuable to them. To address this concern, Adams et al. (2018) conduct various tests and conclude that the reported skills under Regulation S-K are informative.

[22] Despite the prominence of the Thomson Reuters ASSET4 database, Chatterji, Durand, Levine, & Touboul (2016) suggest using more than one measure of CSR performance to minimize potential issues of measurement error. Therefore, in addition to Thomson Reuters ASSET4's CSR ratings, we adopt the CSR ratings from the MSCI STATS database (formerly Kinder, Lydenberg & Domini [KLD] Research & Analytics) as robustness test for H3 and H4b. Following previous research (e.g., Davidson, Dey, & Smith, 2019; Servaes & Tamayo, 2013; Yuan, Lu, Tian, & Yu, 2020), we measure a firm's CSR performance by calculating a firm's net CSR score as a firm's total strengths minus total concerns, based on MSCI's evaluations for community relations, diversity, employee relations, environment and humanity (*CSR_SCORE*). We then repeat our analyses for H3 and H4b using *CSR_SCORE* and *chCSR_SCORE*, respectively. Our conclusions remain unchanged when using MSCI's ratings of CSR performance.

Appendix B describes each of these social and environmental factors according to ASSET4. Our measure of CSR performance is based on ASSET4 social and environmental ratings only. Specifically, we define *SOCENV* as the average of a firm's social score and environmental score. Consistent with previous research (Dyck et al., 2019; Lys et al., 2015), we exclude economic and corporate governance factors because they are less associated with the concept of social investment, which benefits society as a whole rather than only firm stakeholders.

#### 4.2.4 | CSR committee turnover and composition change measures

To test H4a, we use four variables to investigate the change in structure and composition of the CSR committee. We define *LEAVE_CSR* (*LEAVE_NONCSR*) as one if at least one CSR (non-CSR) committee member has left the board in the year following an election period, and 0 otherwise. We compare the results obtained when using *LEAVE_CSR* versus *LEAVE_NONCSR* as the dependent variable to assess whether CSR committee members are held responsible for shareholder dissatisfaction with the CSR committee in relation to non-CSR committee members. Furthermore, we define *LEAVE_EXP* as one if at least one experienced CSR committee member has left the board in the year following an election period, and 0 otherwise. Finally, we define *REPLACE_EXP* as 1 if the departing CSR committee member is replaced by a new and experienced CSR committee member in the year following an election period, and 0 otherwise.

#### 4.2.5 | Control variables

Because each model uses a different set of control variables, we discuss the control variables in Section 5. All models include year and industry fixed effects.[23] Appendix C provides a definition of each variable.

## 5 | RESULTS

### 5.1 | Descriptive statistics

Table 2, Panel A, presents the descriptive statistics for our sample of directors. The mean percentage of "for" votes (*FOR_VOTES*) in our sample of directors is high (94.4%), which is consistent with Gal-Or et al. (2018) and Cai et al. (2009), who report a mean percentage of "for" votes of 94.5% and 94.3%, respectively.[24] Of all directors in our sample, 46% serve on a CSR committee (*CSR_MEMBER*), 3% serve on a CSR committee only (*CSR_ONLY*) and 43% serve on both CSR and other committees (*CSR_OTHER*). Table 2, Panel B, presents the descriptive statistics for CSR committee members. The mean percentage of "for" votes in our sample of CSR committee members is 94.9%. Ninety-four percent have recent prior experience in serving on the CSR committee (*CSR_EXP*) and 10% have relevant CSR skills (*CSR_SKILL*).

Table 2, Panel C, presents the descriptive statistics for the firm-level variables. The mean percentage of "for" votes for CSR committee members (95.1%; *AVG_FOR_CSR_VOTES*) is higher than that for non-CSR committee members (94.6%; *AVG_FOR_NONCSR_VOTES*). These figures are comparable with Fischer et al. (2009) and Cai et al. (2009), who report an average percentage of "for" votes for all board members of 96.4% and 93.9%, respectively. Consistent with Lys et al. (2015) and Dyck et al. (2019), the mean *SOCENV* is 0.67.[25]

[23] Industry fixed effects are based on two-digit SIC codes.

[24] This figure indicates that 5.8% of votes are withheld by shareholders when electing directors. This is consistent with Ertimur et al. (2012) and Ertimur et al. (2018), who report 5.5% and 5% of votes withheld, respectively.

[25] Most correlations among independent variables are below 0.50. Furthermore, the highest variance inflation factor (VIF) for our test variables is less than 5 in each of our regression models, suggesting that multicollinearity is not a significant concern.

**TABLE 2** Descriptive statistics

| Panel A: All directors | | | | | | |
|---|---|---|---|---|---|---|
| **Variable** | ***N*** | **Mean** | **25th Percentile** | **Median** | **75th Percentile** | **SD** |
| *FOR_VOTES* (%) | 8,278 | 94.39 | 95.00 | 98.02 | 99.08 | 10.04 |
| *ADJ_FOR_IND_VOTES* (%) | 8,278 | 0.00 | −0.52 | 0.26 | 1.33 | 4.41 |
| *CSR_MEMBER* | 8,278 | 0.46 | 0.00 | 0.00 | 1.00 | 0.50 |
| *CSR_ONLY* | 8,278 | 0.03 | 0.00 | 0.00 | 0.00 | 0.17 |
| *CSR_OTHERS* | 8,278 | 0.43 | 0.00 | 0.00 | 1.00 | 0.50 |
| *AC_MEMBER* | 8,278 | 0.50 | 0.00 | 0.00 | 1.00 | 0.50 |
| *RC_MEMBER* | 8,278 | 0.49 | 0.00 | 0.00 | 1.00 | 0.50 |
| *NC_MEMBER* | 8,278 | 0.36 | 0.00 | 0.00 | 1.00 | 0.48 |
| *GC_MEMBER* | 8,278 | 0.50 | 0.00 | 0.00 | 1.00 | 0.50 |
| *ISS_AGAINST* | 8,278 | 0.01 | 0.00 | 0.00 | 0.00 | 0.11 |
| *NEW_DIR* | 8,278 | 0.10 | 0.00 | 0.00 | 0.00 | 0.29 |
| *AGE65* | 8,278 | 0.38 | 0.00 | 0.00 | 1.00 | 0.49 |
| *FEMALE* | 8,278 | 0.21 | 0.00 | 0.00 | 0.00 | 0.41 |
| *BUSY_DIR* | 8,278 | 0.15 | 0.00 | 0.00 | 0.00 | 0.36 |
| *FIN_EXP* | 8,278 | 0.28 | 0.00 | 0.00 | 1.00 | 0.45 |
| *NOQUALS* | 8,278 | 2.34 | 2.00 | 2.00 | 3.00 | 1.11 |
| **Panel B: CSR Committee members** | | | | | | |
| **Variable** | ***N*** | **Mean** | **25th Percentile** | **Median** | **75th Percentile** | **SD** |
| *FOR_VOTES* (%) | 3,633 | 94.86 | 95.50 | 98.14 | 99.12 | 9.64 |
| *ADJ_FOR_CSR_VOTES* (%) | 3,633 | 0.01 | −0.44 | 0.09 | 0.83 | 3.49 |
| *CSR_EXP* | 3,193 | 0.94 | 1.00 | 1.00 | 1.00 | 0.23 |
| *CSR_SKILL* | 2,436 | 0.10 | 0.00 | 0.00 | 0.00 | 0.30 |
| *CSR_CHAIR* | 3,633 | 0.23 | 0.00 | 0.00 | 0.00 | 0.42 |
| *NEW_DIR* | 3,633 | 0.09 | 0.00 | 0.00 | 0.00 | 0.29 |
| *AGE65* | 3,633 | 0.36 | 0.00 | 0.00 | 1.00 | 0.48 |
| *FEMALE* | 3,633 | 0.27 | 0.00 | 0.00 | 1.00 | 0.44 |
| *BUSY_DIR* | 3,633 | 0.15 | 0.00 | 0.00 | 0.00 | 0.36 |
| *FIN_EXP* | 3,633 | 0.18 | 0.00 | 0.00 | 0.00 | 0.38 |
| *NOQUALS* | 3,633 | 2.46 | 2.00 | 2.00 | 3.00 | 1.20 |
| *NEW_CSR* | 3,633 | 0.23 | 0.00 | 0.00 | 0.00 | 0.42 |

(Continues)

**TABLE 2** (Continued)

| Panel C: Firm level | | | | | | |
|---|---|---|---|---|---|---|
| **Variable** | ***N*** | **Mean** | **25th Percentile** | **Median** | **75th Percentile** | **SD** |
| *AVG_FOR_CSR_VOTES (%)* | 717 | 95.05 | 95.82 | 97.85 | 98.76 | 8.64 |
| *AVG_FOR_NONCSR_VOTES (%)* | 717 | 94.58 | 95.36 | 97.48 | 98.48 | 8.64 |
| *DIFF_AVG_FOR_VOTES (%)* | 717 | 0.49 | −0.41 | 0.15 | 1.35 | 3.82 |
| *LOW_DIFF_VOTES* | 715 | 0.10 | 0.00 | 0.00 | 0.00 | 0.30 |
| *SOCENV* | 717 | 0.67 | 0.56 | 0.70 | 0.79 | 0.17 |
| *SOC* | 717 | 0.67 | 0.54 | 0.71 | 0.83 | 0.19 |
| *ENV* | 717 | 0.66 | 0.55 | 0.68 | 0.80 | 0.19 |
| *LEAVE_CSR* | 715 | 0.21 | 0.00 | 0.00 | 0.00 | 0.41 |
| *LEAVE_NONCSR* | 715 | 0.24 | 0.00 | 0.00 | 0.00 | 0.43 |
| *LEAVE_EXP* | 715 | 0.19 | 0.00 | 0.00 | 0.00 | 0.39 |
| *REPLACE_EXP* | 695 | 0.04 | 0.00 | 0.00 | 0.00 | 0.20 |
| *AT* ($millions) | 717 | 42,155.08 | 8914.17 | 20,405.30 | 39,535.00 | 65,794.24 |
| *LOSS* | 717 | 0.12 | 0.00 | 0.00 | 0.00 | 0.33 |
| *LEV* | 717 | 0.30 | 0.21 | 0.29 | 0.37 | 0.13 |
| *RET* | 717 | 0.12 | −0.03 | 0.12 | 0.29 | 0.33 |
| *DACC* | 717 | 0.03 | 0.01 | 0.02 | 0.04 | 0.04 |
| *RESTATE* | 717 | 0.13 | 0.00 | 0.00 | 0.00 | 0.33 |
| *BIG4* | 717 | 1.00 | 1.00 | 1.00 | 1.00 | 0.04 |
| *FEE* ($thousands) | 717 | 9,677.39 | 3,637.22 | 5,837.00 | 12,000.00 | 9,263.14 |
| *NAS* ($thousands) | 717 | 2,971.16 | 408.75 | 1,249.96 | 3,126.00 | 4612.10 |
| *CHANGE* | 717 | 0.03 | 0.00 | 0.00 | 0.00 | 0.16 |
| *MAJORITY* | 717 | 0.73 | 0.00 | 1.00 | 1.00 | 0.44 |
| *STAGGERED* | 717 | 0.56 | 0.00 | 1.00 | 1.00 | 0.50 |
| *INSTBLOCK_PERC* | 717 | 0.78 | 0.69 | 0.79 | 0.86 | 0.13 |
| *INSIDER_PERC* | 717 | 0.01 | 0.00 | 0.00 | 0.01 | 0.03 |
| *BDSIZE* | 717 | 11.60 | 10.00 | 12.00 | 13.00 | 1.90 |
| *DUALITY* | 717 | 0.63 | 0.00 | 1.00 | 1.00 | 0.48 |
| *BDIND_PERC* | 717 | 0.87 | 0.83 | 0.90 | 0.92 | 0.07 |
| *BDBUSY_PERC* | 717 | 0.05 | 0.00 | 0.00 | 0.09 | 0.07 |
| *FEMALE_PERC* | 717 | 0.10 | 0.07 | 0.09 | 0.15 | 0.07 |
| *CSRSIZE* | 717 | 4.86 | 4.00 | 5.00 | 6.00 | 1.29 |
| *AVETEN* (years) | 717 | 7.16 | 4.80 | 6.87 | 9.09 | 3.27 |
| *AVEBRD* | 717 | 2.24 | 1.75 | 2.20 | 2.67 | 0.72 |
| *LITIGATION* | 717 | 0.09 | 0.00 | 0.00 | 0.00 | 0.28 |

*Note*: This table reports the descriptive statistics. Panels A, B and C report descriptive statistics at the director level, CSR committee level and firm level, respectively. All continuous variables are winsorized at the 1st and 99th percentiles. See Appendix C for variable definitions.

## 5.2 | Director-level analyses

### 5.2.1 | Test of H1

H1 predicts that shareholder support for CSR committee members differs from that for other directors. Table 3 presents the results for the test of H1. The dependent variable is the adjusted "for" votes for all directors (*ADJ_FOR_IND_VOTES*). We follow previous research and include several control variables that may affect shareholder voting. Previous research finds that directors who receive a positive recommendation from ISS receive significantly more votes than their counterparts (Cai et al., 2009; Ertimur et al., 2012, 2018; Gal-Or et al., 2018). Thus, we define *ISS_NEG* as an indicator variable that equals 1 when the ISS recommendation is negative, and 0 otherwise.[26] We include various director characteristics that have been shown to influence shareholder voting. Specifically, we control for new directors who have served for less than 1 year on the board (*NEW_DIR*), directors older than 65 years of age (*AGE65*), female directors (*FEMALE*), three corporate boards (BUSYDIR) (Fich & Shivdasani, 2006), financial experts (*FIN_EXP*) and directors' number of qualifications (*NOQUALS*). We also control for firm size (*SIZE*), firm performance (*RET*) and various corporate governance controls.[27]

Column 1 of Table 3 presents the results of voting for all directors in our sample. In subsequent columns, to remove the effect of negative assessments from ISS, we adopt a sample of firms in which all directors have received positive recommendations from ISS.[28] In columns 1 and 2, we find that directors who serve on the CSR committee (*CSR_MEMBER*) receive a significantly higher percentage of adjusted "for" votes from shareholders relative to other directors ($p < 0.01$). These results support H1 and are economically significant. Specifically, column 1 shows that CSR committee members' adjusted votes are 51.9% higher than those of other directors. The results for other control variables are consistent with previous research (Cai et al., 2009; Ertimur et al., 2012; Gal-Or et al., 2018). We find that older and busier directors and those who have received negative recommendations from ISS have a significantly lower adjusted percentage of "for" votes, while new directors, female directors and financial experts receive a significantly higher adjusted percentage of "for" votes.

**Controlling for other committee memberships**. Given that CSR committee members can also serve on other committees, to ensure that our results are not driven by memberships in other committees, we distinguish CSR committee members who serve only on CSR committees (*CSR_ONLY*) from those who serve on both CSR and other committees (*CSR_OTHERS*). Column 3 of Table 3 shows that both categories of CSR committee members receive a higher adjusted percentage of "for" votes compared with directors not serving on a CSR committee ($p < 0.01$). Furthermore, the difference-in-coefficients test reveals that CSR committee members who serve on a CSR committee only receive a higher adjusted percentage of "for" votes compared with those who serve on both CSR and other committees ($p < 0.01$).

Column 4 includes four indicator variables to control for directors' services on audit (*AC_MEMBER*), remuneration (*RC_MEMBER*), nomination (*NC_MEMBER*) and governance (*GC_MEMBER*) committees. We find that CSR committee members receive a higher adjusted percentage of "for" votes ($p < 0.10$). Consistent with previous research, we find that remuneration, nomination and governance committee members receive a lower adjusted percentage of "for" votes (Cai et al., 2009; Gal-Or et al., 2018), while audit committee members receive a higher adjusted percentage of "for" votes (Gal-Or et al., 2018) compared with other committee members. The difference-in-coefficients test indicates that the coefficients of *CSR_MEMBER* and *AC_MEMBER* are not significantly different, indicating that shareholders equally grant greater support to both audit and CSR committee members.

**CSR committee members' inherent characteristics**. Thus far, our results suggest that CSR committee members receive a higher adjusted percentage of "for" votes compared with other directors. There are two potential expla-

[26] We do not include *ISS_NEG* in analyses where we require all directors to have positive ISS recommendations.

[27] As part of our robustness tests, we include firm's CSR performance in our model and obtain consistent results.

[28] Our results are qualitatively similar when using a broader sample that includes voting on all directors.

**TABLE 3** Director elections: CSR versus non-CSR committee members

| | | DV = ADJ_FOR_IND_VOTES | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Variable | Predicted sign | Coefficient (t-Statistics) | Coefficient (t-Statistics) | Coefficient (t-Statistics) | Coefficient (t-Statistics) | Coefficient (t-Statistics) | Coefficient (t-Statistics) | Coefficient (t-Statistics) | Coefficient (t-Statistics) |
| CSR_MEMBER | + | 0.519*** | 0.490*** | | 0.249* | 0.721*** | | 0.491*** | 0.336*** |
| | | (3.62) | (3.38) | | (1.93) | (2.99) | | (3.38) | (3.16) |
| CSR_ONLY | + | | | 1.608*** | | | | | |
| | | | | (4.39) | | | | | |
| CSR_OTHERS | ? | | | 0.411*** | | | | | |
| | | | | (2.85) | | | | | |
| TREAT × POST | + | | | | | | 1.720** | | |
| | | | | | | | (2.18) | | |
| TREAT | ? | | | | | | −1.489* | | |
| | | | | | | | (−1.87) | | |
| POST | ? | | | | | | −0.458 | | |
| | | | | | | | (−1.06) | | |
| AC_MEMBER | + | | | | 0.272** | | | | |
| | | | | | (2.03) | | | | |
| RC_MEMBER | − | | | | −1.145*** | | | | |
| | | | | | (−6.67) | | | | |
| NC_MEMBER | − | | | | −0.059 | | | | |
| | | | | | (−0.36) | | | | |
| GC_MEMBER | − | | | | −0.652*** | | | | |
| | | | | | (−4.32) | | | | |
| IMR | ? | | | | | | | 0.142 | |
| | | | | | | | | (1.04) | |

(Continues)

**TABLE 3** (Continued)

| | | DV = ADJ_FOR_IND_VOTES | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| | | Coefficient | Coefficient | Coefficient | Coefficient | Coefficient | Coefficient | Coefficient | Coefficient |
| Variable | Predicted sign | (t-Statistics) | (t-Statistics) | (t-Statistics) | (t-Statistics) | (t-Statistics) | (t-Statistics) | (t-Statistics) | (t-Statistics) |
| ISS_NEG | – | −9.232*** | | | | | | | |
| | | (−4.72) | | | | | | | |
| NEW_DIR | + | 1.062*** | 1.072*** | 1.004*** | 0.720*** | 0.769** | 1.687 | 1.070*** | 1.084*** |
| | | (5.30) | (5.27) | (4.93) | (3.57) | (2.55) | (1.61) | (5.29) | (7.37) |
| AGE65 | – | −0.294** | −0.296** | −0.291** | −0.234* | 0.146 | 0.422 | −0.294** | −0.391*** |
| | | (−2.26) | (−2.21) | (−2.20) | (−1.86) | (0.48) | (1.50) | (−2.18) | (−3.89) |
| FEMALE | + | 0.255* | 0.371*** | 0.358** | 0.337** | 0.384 | 0.472 | 0.372*** | 0.257** |
| | | (1.69) | (2.65) | (2.57) | (2.45) | (1.58) | (1.03) | (2.65) | (2.43) |
| BUSY_DIR | – | −1.720*** | −1.694*** | −1.688*** | −1.659*** | −1.790*** | −1.553** | −1.697*** | −1.610*** |
| | | (−7.62) | (−7.37) | (−7.41) | (−7.45) | (−4.00) | (−2.40) | (−7.32) | (−9.28) |
| FIN_EXP | + | 0.639*** | 0.611*** | 0.632*** | −0.004 | 0.546* | 0.269 | 0.614*** | 0.512*** |
| | | (4.59) | (4.37) | (4.59) | (−0.03) | (1.76) | (0.79) | (4.38) | (4.89) |
| NOQUALS | + | 0.071 | 0.045 | 0.047 | 0.024 | 0.014 | −0.162 | 0.0443 | 0.047 |
| | | (1.21) | (0.77) | (0.81) | (0.42) | (0.09) | (−1.19) | (0.76) | (1.14) |
| SIZE | ? | −0.014 | −0.037 | −0.034 | −0.041 | 0.115 | 0.224 | −0.0114 | −0.010 |
| | | (−0.39) | (−1.18) | (−1.11) | (−1.26) | (0.90) | (1.21) | (−0.28) | (−0.40) |
| RET | ? | 0.155 | 0.142* | 0.147* | 0.160** | 0.218 | −0.253 | 0.136* | 0.093 |
| | | (1.62) | (1.79) | (1.83) | (1.99) | (0.69) | (−0.58) | (1.78) | (1.51) |
| MAJORITY | + | 0.229** | 0.059 | 0.054 | 0.111 | 0.082 | −0.440 | 0.0646 | −0.004 |
| | | (2.13) | (0.62) | (0.57) | (1.12) | (0.28) | (−1.41) | (0.67) | (−0.06) |
| STAGGERED | – | −0.093 | −0.090* | −0.089* | −0.082 | 0.032 | 0.405** | −0.0911* | −0.048 |
| | | (−1.42) | (−1.82) | (−1.78) | (−1.62) | (0.17) | (2.08) | (−1.80) | (−1.18) |

(Continues)

**TABLE 3** (Continued)

| | | DV = ADJ_FOR_IND_VOTES | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| | | Coefficient | Coefficient | Coefficient | Coefficient | Coefficient | Coefficient | Coefficient | Coefficient |
| Variable | Predicted sign | (t-Statistics) | (t-Statistics) | (t-Statistics) | (t-Statistics) | (t-Statistics) | (t-Statistics) | (t-Statistics) | (t-Statistics) |
| LNBDSIZE | + | −0.033 | 0.232 | 0.195 | −0.250 | 0.222 | −0.292 | 0.389 | 0.235 |
| | | (−0.12) | (1.02) | (0.84) | (−1.04) | (0.26) | (−0.30) | (1.34) | (1.43) |
| DUALITY | ? | −0.086 | −0.083 | −0.078 | −0.119* | −0.367 | −0.0985 | −0.0619 | −0.048 |
| | | (−1.06) | (−1.36) | (−1.23) | (−1.82) | (−1.54) | (−0.56) | (−0.93) | (−1.15) |
| BDIND_PERC | + | 0.074 | −0.004 | −0.083 | −0.149 | 0.407 | 1.106 | 0.188 | 0.368 |
| | | (0.11) | (−0.01) | (−0.17) | (−0.30) | (0.20) | (0.56) | (0.47) | (1.00) |
| INSTBLOCK_PERC | – | −0.712** | −0.224 | −0.237 | −0.184 | −0.303 | 0.116 | −0.151 | 0.198 |
| | | (−2.17) | (−0.84) | (−0.87) | (−0.66) | (−0.37) | (0.11) | (−0.58) | (0.92) |
| INSIDER_PERC | + | 1.019 | 1.396* | 1.373* | 1.262 | 4.206 | 4.003 | 0.739 | 0.163 |
| | | (1.20) | (1.79) | (1.75) | (1.56) | (1.25) | (1.20) | (1.59) | (0.51) |
| Constant | ? | 0.333 | −0.014 | 0.135 | 2.326*** | −2.055 | −3.276 | −0.896 | −0.904* |
| | | (0.44) | (−0.02) | (0.22) | (3.24) | (−0.76) | (−1.27) | (−0.92) | (−1.92) |
| Year fixed effects | | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry fixed effects | | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Number of observations | | 8,278 | 7,922 | 7,922 | 7,922 | 2,119 | 488 | 7,922 | 12,690 |
| Adjusted $R^2$ | | 0.079 | 0.029 | 0.031 | 0.054 | 0.047 | 0.001 | 0.029 | 0.028 |
| **Difference-in-coefficients tests** | | | | | | | | | |
| CSR_ONLY = CSR_OTHERS | | | | | | | | | |
| F-test | | | | 11.80*** | | | | | |
| (p-Value) | | | | (0.001) | | | | | |

(Continues)

**TABLE 3** (Continued)

| | | DV = ADJ_FOR_IND_VOTES | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Variable | Predicted sign | Coefficient (t-Statistics) | Coefficient (t-Statistics) | Coefficient (t-Statistics) | Coefficient (t-Statistics) | Coefficient (t-Statistics) | Coefficient (t-Statistics) | Coefficient (t-Statistics) | Coefficient (t-Statistics) |
| CSR_MEMBER = AC_MEMBER | | | | | | | | | |
| F-test | | | | | 0.02 | | | | |
| (p-Value) | | | | | (0.902) | | | | |
| CSR_MEMBER = RC_MEMBER | | | | | | | | | |
| F-test | | | | | 44.02*** | | | | |
| (p-Value) | | | | | (0.000) | | | | |
| CSR_MEMBER = NC_MEMBER | | | | | | | | | |
| F-test | | | | | 1.91 | | | | |
| (p-Value) | | | | | (0.169) | | | | |
| CSR_MEMBER = GC_MEMBER | | | | | | | | | |
| F-test | | | | | 18.91*** | | | | |
| (p-Value) | | | | | (0.000) | | | | |

*Note*: This table reports the results on director elections on CSR committee members versus non-CSR committee members. Headings for each column are as follows: (1) all directors; (2) positive ISS recommendations for all directors; (3) members of CSR committee only versus joint committee members; (4) including indicator variables for other committees; (5) excluding directors who have never served on a CSR committee and who serve on CSR committees every year; (6) difference-in-differences analysis; (7) Heckman two-stage correction model; (8) propensity score matching. The dependent variable (DV) is the adjusted "for" votes for all independent directors (*ADJ_FOR_IND_VOTES*). The main test variable is an indicator variable that equals 1 if a director serves on the CSR committee, and 0 otherwise (*CSR_MEMBER*). Standard errors are robust to heteroskedasticity and clustered at the firm and director levels. The direction of each test is indicated by the predicted sign. See Appendix C for variable definitions.*, ** and *** represent two-tailed significance at the 10%, 5% and 1% levels, respectively.

nations for this finding. First, shareholders may recognize the value of the CSR committee, and thus provide greater support for CSR committee members. Second, CSR committee members may be inherently more valuable or qualified than other directors, and thus receive higher votes. To examine which explanation drives our result, we exclude directors who have never served on a CSR committee and those who have served on a CSR committee every year in our sample period. Removing these two groups of directors controls for firm- and director-specific characteristics, where the only difference lies in service on a CSR committee (Gal-Or et al., 2018). If service on a CSR committee drives increased shareholder support, *CSR_MEMBER* should be significant and positive. In contrast, if director-specific characteristics drive increased shareholder support, *CSR_MEMBER* should be insignificant. Column 5 shows that *CSR_MEMBER* is significant and positive ($p < 0.01$), supporting the former explanation.

**Difference-in-differences analysis**. To provide further support for our results, we perform a difference-in-differences analysis. Specifically, we examine shareholder votes for directors before and after the formation of a CSR committee on the board. Using each director as his/her own control, we define treatment directors (*TREAT* = 1) as those appointed to a CSR committee following its formation, while control directors (*TREAT* = 0) are those not appointed to a CSR committee. Furthermore, we define *POST* as an indicator variable equal to 1 (0) in the year following (prior to) the formation of the CSR committee. The variable of interest is the interaction between *TREAT* and *POST*. If service on a CSR committee results in increased shareholder support, we expect a higher percentage of shareholder votes for treatment directors following the formation of a CSR committee. However, if inherent director characteristics drive increased shareholder support, we should not observe higher shareholder votes for treatment directors following the formation of a CSR committee. Column 6 of Table 3 presents the difference-in-differences results. The coefficient of *TREAT* × *POST* is significant and positive ($p < 0.05$), suggesting that shareholders grant greater support to directors following their appointment to a CSR committee and value their services on the CSR committee.

**Two-Stage Heckman Correction Model**. We face potential sample selection issues when drawing inferences from firms that voluntarily form a CSR committee. To mitigate possible selection bias, we use a two-stage Heckman correction model (Lennox et al., 2012). Appendix D provides a detailed discussion of the first-stage regression model and our instrument choice. We control for possible selection effects by including the inverse Mills ratio (*IMR*) obtained from the first stage in the second-stage regression. As shown in column 7 of Table 3, the coefficient of *CSR_MEMBER* remains significant and positive ($p < 0.01$). Furthermore, the inverse Mills ratio is insignificant ($p = 0.301$), suggesting that self-selection is not a significant concern in our model.

**Propensity score matching (PSM)**. As the formation of a CSR committee is not exogenous and may be associated with underlying firm characteristics, firms without a CSR committee are likely to be dissimilar to firms with a CSR committee. This may violate assumptions regarding the functional form between the variable of interest and the dependent variable. To reduce concerns regarding the misspecification of the functional form, we adopt PSM (Rosenbaum, 2002; Rosenbaum & Rubin, 1983; Shipman et al., 2017). Appendix E provides an overview of the PSM procedure. Using the PSM sample, we continue to find a significantly positive coefficient for *CSR_MEMBER* ($p < 0.01$), suggesting that our main results are unlikely to be driven by observable differences in firm characteristics.

### 5.2.2 | H2 test

H2 predicts that shareholder support for CSR committee members with CSR-related skills and experience differs from their support for CSR committee members without these skills and experience. To test H2, we adopt a sample comprising only CSR committee members. Table 4 reports the results. The dependent variable is the percentage of "for" votes for each CSR committee member adjusted by the mean percentage of "for" votes for all CSR committee members (*ADJ_FOR_CSR_VOTES*). In addition to the control variables used in the test of H1, we include *NEW_CSR*, which captures new CSR committee members who have served for less than 1 year on the CSR committee. Columns 1 and 2 of Table 4 show that shareholders grant a higher adjusted percentage of "for" votes to CSR committee members with recent prior experience in a CSR committee and CSR-related skills ($p < 0.05$). These results support H2.

**TABLE 4** CSR committee member characteristics and election outcomes

| | | DV = *ADJ_FOR_CSR_VOTES* | |
|---|---|---|---|
| | | (1) | (2) |
| | | Coefficient | Coefficient |
| Variable | Predicted sign | (*t*-Statistics) | (*t*-Statistics) |
| *CSR_EXP* | + | 0.768** | |
| | | (2.11) | |
| *CSR_SKILL* | + | | 0.513** |
| | | | (2.28) |
| *CSR_CHAIR* | ? | −0.157 | −0.209 |
| | | (−0.89) | (−1.03) |
| *NEW_DIR* | + | 0.198 | −0.276 |
| | | (0.46) | (−0.47) |
| *AGE65* | − | −0.145 | −0.135 |
| | | (−0.83) | (−0.64) |
| *FEMALE* | + | 0.635*** | 0.614*** |
| | | (3.74) | (3.26) |
| *BUSY_DIR* | − | −1.599*** | −1.921*** |
| | | (−5.69) | (−5.42) |
| *FIN_EXP* | + | 0.115 | 0.066 |
| | | (0.53) | (0.26) |
| *NOQUALS* | + | 0.057 | 0.037 |
| | | (0.90) | (0.47) |
| *SIZE* | ? | −0.067 | −0.040 |
| | | (−1.27) | (−0.82) |
| *RET* | ? | 0.067 | 0.165 |
| | | (0.45) | (0.93) |
| *MAJORITY* | + | 0.079 | 0.063 |
| | | (0.60) | (0.33) |
| *STAGGERED* | − | −0.037 | −0.106 |
| | | (−0.50) | (−1.04) |
| *LNBDSIZE* | + | −0.042 | 0.389 |
| | | (−0.14) | (1.07) |
| *DUALITY* | ? | −0.107 | −0.097 |
| | | (−1.19) | (−0.88) |
| *BDIND_PERC* | + | 0.088 | −0.410 |
| | | (0.12) | (−0.44) |
| *INSTBLOCK_PERC* | − | −0.395 | −0.143 |
| | | (−1.08) | (−0.29) |
| *INSIDER_PERC* | + | 2.519 | 1.572 |
| | | (1.52) | (0.53) |
| *NEW_CSR* | + | 0.618** | 0.608** |
| | | (2.57) | (2.59) |

(Continues)

**TABLE 4** (Continued)

| | | DV = *ADJ_FOR_CSR_VOTES* | |
|---|---|---|---|
| | | (1) | (2) |
| | | Coefficient | Coefficient |
| Variable | Predicted sign | (*t*-Statistics) | (*t*-Statistics) |
| Constant | ? | −0.172 | −0.770 |
| | | (−0.15) | (−0.60) |
| Year fixed effects | | Yes | Yes |
| Industry fixed effects | | Yes | Yes |
| Number of observations | | 3,193 | 2,436 |
| Adjusted $R^2$ | | 0.019 | 0.027 |

*Note*: This table reports the results on CSR committee members' expertise and election outcomes. Headings for each column are as follows: (1) CSR-related experience; (2) CSR-related skills. The dependent variable (DV) is the adjusted votes for all CSR committee members (*ADJ_FOR_CSR_VOTES*). The test variable in column 1 is an indicator variable that equals 1 if a CSR committee member sat on at least one CSR committee in the past 3 years, and 0 otherwise (*CSR_EXP*). The test variable in column 2 is an indicator variable that equals 1 if a CSR committee member has CSR-related skills, and 0 otherwise (*CSR_SKILL*). Standard errors are robust to heteroskedasticity and clustered at the firm and director levels. The direction of each test is indicated by the predicted sign. See Appendix C for variable definitions.** and *** represent two-tailed significance at the 10%, 5% and 1% levels, respectively.

## 5.3 | Firm-level analyses

### 5.3.1 | Test of H3

H3 predicts that shareholder support for CSR committee members will be lower (higher) than that for other directors when CSR performance is poorer (better). We report our results for the test of H3 in Table 5, Panel A. We include various control variables. First, we control for corporate governance characteristics: *MAJORITY* captures elections governed by majority voting rules,[29] while *STAGGERED* captures elections in which not all directors are up for election. Given that majority voting and nonstaggered boards are signs of good corporate governance (Cai et al., 2009; Gal-Or et al., 2016), we predict a positive (negative) coefficient for *MAJORITY* (*STAGGERED*). We also include controls for board size (*LNBDSIZE*), CEO duality (*DUALITY*), board independence (*BDIND_PERC*), busy boards (*BDBUSY_PERC*), board gender diversity (*FEMALE_PERC*), CSR committee size (*LNCSRSIZE*), average board tenure (*AVETEN*) and average number of directorships held (*AVEBRD*). Following previous research (Cai et al., 2009; Gal-Or et al., 2018), we predict positive coefficients for *LNBDSIZE*, *BDIND_PERC*, *FEMALE_PERC*, *ACEXP_PERC*, *LNCSRSIZE* and *CSR_COMM*, and negative coefficients for *BDBUSY_PERC*, *AVETEN* and *AVEBRD*.

Next, we control for the following firm characteristics: firm size (*SIZE*), firm performance (*LOSS*), leverage (*LEV*) and share returns (*RET*). Following previous research (Cai et al., 2009; Gal-Or et al., 2018), we control for weaknesses in financial reporting (*DACC* and *RESTATE*). We also control for audit characteristics, such as Big Four auditors (*BIG4*), auditing fees (*LNFEE*), nonauditing fees (*LNNAS*) and auditor change (*CHANGE*; Gal-Or et al., 2018). Furthermore, we control for firms' ownership structures by including the percentage of shares owned by institutional block holders (*INSTBLOCK_PERC*) and insiders (*INSIDER_PERC*; Cai et al., 2009; Ertimur et al., 2012; Gal-Or et al., 2018). Finally, we

[29] Majority voting rules mean that a director requires higher than 50% of votes to be elected. This is in contrast to plural voting rules in which directors can be elected by a single "for" vote.

**TABLE 5** Firm-level election outcomes and CSR performance

| Variable | Predicted sign | DV = *AVG_FOR_CSR_VOTES* (1) Coefficient (*t*-Statistics) | DV = *AVG_FOR_NONCSR_VOTES* (2) Coefficient (*t*-Statistics) | DV = *DIFF_AVG_FOR_VOTES* (3) Coefficient (*t*-Statistics) |
|---|---|---|---|---|
| *SOCENV* | + | 8.055** | 4.923 | 3.318** |
| | | (2.21) | (1.42) | (2.56) |
| *SIZE* | ? | −1.192** | −1.030* | −0.044 |
| | | (−2.02) | (−1.97) | (−0.14) |
| *LOSS* | − | −0.007 | −0.816 | 0.896 |
| | | (−0.01) | (−0.82) | (1.25) |
| *LEV* | − | −1.359 | −2.105 | 1.731 |
| | | (−0.36) | (−0.61) | (0.99) |
| *RET* | + | 1.806** | 2.158** | −0.401 |
| | | (2.02) | (2.57) | (−0.67) |
| *DACC* | − | −5.094 | −2.551 | −3.325 |
| | | (−0.64) | (−0.32) | (−0.81) |
| *RESTATE* | − | −0.516 | −1.308 | 0.897** |
| | | (−0.78) | (−1.65) | (2.11) |
| *BIG4* | + | 1.694 | 1.686 | 0.127 |
| | | (0.56) | (0.54) | (0.08) |
| *LNFEE* | + | −1.734 | −1.327 | −0.464 |
| | | (−1.42) | (−1.31) | (−1.09) |
| *LNNAS* | − | −0.122 | −0.165 | 0.024 |
| | | (−0.72) | (−0.84) | (0.22) |
| *CHANGE* | − | 2.115 | 1.772 | 0.259 |
| | | (1.50) | (1.24) | (0.42) |
| *MAJORITY* | + | 3.729** | 3.534** | 0.242 |
| | | (2.31) | (2.58) | (0.41) |
| *STAGGERED* | − | 0.612 | 1.058 | −0.423 |
| | | (0.92) | (1.62) | (−1.38) |
| *INSTBLOCK_PERC* | − | 2.749 | 1.534 | 1.323 |
| | | (0.74) | (0.43) | (0.80) |
| *INSIDER_PERC* | + | −3.599 | 6.613 | −8.337 |
| | | (−0.48) | (1.03) | (−1.36) |
| *LNBDSIZE* | + | 8.604* | 6.973* | 0.577 |
| | | (1.92) | (1.68) | (0.48) |

(Continues)

**TABLE 5** (Continued)

| Variable | Predicted sign | DV = *AVG_FOR_CSR_VOTES* (1) Coefficient (*t*-Statistics) | DV = *AVG_FOR_NONCSR_VOTES* (2) Coefficient (*t*-Statistics) | DV = *DIFF_AVG_FOR_VOTES* (3) Coefficient (*t*-Statistics) |
|---|---|---|---|---|
| *DUALITY* | ? | −1.678 | −1.782* | 0.249 |
| | | (−1.52) | (−1.83) | (0.67) |
| *BDIND_PERC* | + | −0.121 | −0.124 | −1.223 |
| | | (−0.02) | (−0.02) | (−0.38) |
| *BDBUSY_CSR* | − | −2.781 | 1.486 | −5.363 |
| | | (−0.40) | (0.23) | (−1.50) |
| *FEMALE_CSR* | + | 1.167 | −0.242 | 1.449 |
| | | (0.16) | (−0.04) | (0.65) |
| *LNCSRSIZE* | + | −1.275 | −1.140 | −0.049 |
| | | (−1.03) | (−0.99) | (−0.07) |
| *AVETEN_CSR* | − | −0.064 | 0.025 | −0.103* |
| | | (−0.55) | (0.23) | (−1.78) |
| *AVEBRD_CSR* | − | 0.344 | 0.569 | −0.230 |
| | | (0.47) | (0.90) | (−0.60) |
| *LITIGATION* | − | −3.703** | −5.014*** | 1.816* |
| | | (−2.31) | (−3.10) | (1.86) |
| Constant | ? | 119.437*** | 113.591*** | 8.877 |
| | | (10.86) | (11.75) | (1.57) |
| Year fixed effects | | Yes | Yes | Yes |
| Industry fixed effects | | Yes | Yes | Yes |
| Number of observations | | 717 | 717 | 717 |
| Adjusted $R^2$ | | 0.339 | 0.406 | 0.086 |

*Note*: This table reports the results on firm-level election outcomes and CSR performance. The dependent variables (DVs) in columns 1, 2 and 3 are average "for" votes for all CSR committee members (*AVG_FOR_CSR_VOTES*), average "for" votes for all non-CSR committee members (*AVG_FOR_NONCSR_VOTES*), and the difference between the average percentage of "for" votes for CSR and non-CSR committee members (*DIFF_AVG_FOR_VOTES*), respectively. The test variable is the two-factor (social and environmental) CSR score scaled by 100 (*SOCENV*). Standard errors are robust to heteroskedasticity and clustered at the firm and director levels. The direction of each test is indicated by the predicted sign. See Appendix C for variable definitions.*, ** and *** represent two-tailed significance at the 10%, 5% and 1% levels, respectively.

control for litigation industries (*LITIGATION*). We predict positive coefficients for *RET*, *BIG4*, *LNFEE* and *INSIDER_PERC* and negative coefficients for the remaining variables.

Column 1 of Table 5 presents the results of shareholder voting for the CSR committee as a whole. The dependent variable is the average percentage of "for" votes for all CSR committee members (*AVG_FOR_CSR_VOTES*). The test variable is *SOCENV*, which measures a firm's social and environmental performance. We find that the coefficient of *SOCENV* is significant and positive ($p < 0.05$), indicating that CSR committees in firms with poorer (better) CSR

performance receive a lower (higher) percentage of votes. Column 2 reports the results of the average percentage of "for" votes for non-CSR committee members (*AVG_FOR_NONCSR_VOTES*). We find that shareholder votes for non-CSR committee members are not significantly related to CSR performance. Given that CSR and non-CSR committee members serve on the same board, their election outcomes should be affected by the same factors apart from their committee membership. Thus, our results indicate that shareholders differentiate between directors who are and are not responsible for a firm's CSR performance. To further substantiate our results and control for any unobserved firm or board characteristics, we use the difference between *AVG_FOR_CSR_VOTES* and *AVG_FOR_NONCSR_VOTES* as the dependent variable (*DIFF_AVG_FOR_VOTES*). Our results in column 3 indicate that CSR committee members receive a lower (higher) percentage of "for" votes compared with non-CSR committee members when CSR performance is poorer (better). Overall, we provide consistent support for H3.[30,31]

**Moderating effects of institutional ownership**. Next, we examine whether a firm's institutional ownership affects the association between CSR performance and shareholder votes for CSR committee members. Previous research highlights the crucial role of institutional shareholders in enhancing CSR performance (Chen et al., 2020; Dyck et al., 2019; Nguyen et al., 2020). Specifically, given that CSR generates long-term benefits, institutional shareholders, who are more oriented toward the long term, stand to benefit more from better CSR performance (Chen et al., 2020; Dyck et al., 2019; Nguyen et al., 2020). Thus, they have greater interest in and incentives to improve CSR performance. Furthermore, institutional shareholders tend to hold a larger stake in the firm, placing them in a stronger position to vote for CSR committee members in response to a firm's CSR performance. Thus, we argue that institutional shareholders place more emphasis on CSR and are more likely to react to a firm's CSR performance through their votes.

To test our prediction, we partition our sample into subsamples based on the median percentage of institutional block ownership (*INSTBLOCK_PERC*). We categorize a firm into the high (low) institutional ownership group if *INSTBLOCK_PERC* is above (below) the median. The results are reported in Table 6, columns 1 and 2. The mean percentage of "for" votes for the CSR committee is significantly and positively associated with CSR performance only in firms with high institutional ownership (column 1: $p < 0.05$). This finding suggests that CSR committee members in firms with high institutional ownership receive lower (higher) shareholder votes for poorer (better) CSR performance.

We further examine whether our results are driven by two types of institutional ownership: (1) norm-constrained institutional shareholders (Hong & Kacperczyk, 2009) and (2) dedicated institutional shareholders (Bushee, 1998). First, some institutional shareholders, including pension funds, universities, charities and religious organizations, experience increased social norm pressures. These institutions are norm constrained because their stock positions are publicly available, their constituents are diverse, and they are exposed to public scrutiny (Hong & Kacperczyk, 2009). Studies find that norm-constrained institutions are more likely to promote improvements in the CSR of existing investees (Cahan et al., 2017). Second, Bushee (1998) classifies institutions into dedicated, quasi-indexed and transient.[32] Previous research finds that dedicated institutional shareholders are more active monitors of management (Callen et al., 2005; Chen et al., 2007; Gaspar et al., 2005) and are associated with increased CSR activities (Kim et al.,

[30] We also examine whether shareholder support for CSR committee members will be lower following negative CSR-related news. We define *NEGATIVE_NEWS* as an indicator variable that equals 1 if a firm has negative CSR-related news during the year, and 0 otherwise. We obtain CSR-related news from Raven Pack (news item under the topic "Society"), and define negative news as those with sentiment score below 50. We find that CSR committees in firms with negative CSR-related news receive a lower percentage of votes ($p < 0.05$). In contrast, shareholder votes for non-CSR committee members are not significantly related to negative CSR-related news.

[31] Previous research suggests that not all CSR expenditures are optimal (Lys et al., 2015) because a firm may invest in ineffective CSR projects or overinvest in CSR for their own benefit (Barnea & Rubin, 2010). We examine whether shareholder support for CSR committee members is associated with a firm's optimal CSR performance versus under- or overinvestment in CSR. Following Lys et al. (2015), we use a two-stage approach to split CSR expenditures into two components: (1) those related to economic factors (i.e., optimal CSR); and (2) those unrelated to economic factors (i.e., deviation from the optimum). We find that CSR committee members receive a higher percentage of "for" votes compared with non-CSR committee members when optimal CSR performance is better. However, there is no significant relation between shareholder support and deviation from optimal CSR. Our results suggest that shareholders value CSR investments that are optimal and beneficial for firms but not under- or overinvestment in CSR.

[32] Bushee (1998) classifies institutions into these three groups based on their previous investment patterns in the areas of portfolio turnover, diversification and momentum trading. Dedicated institutions hold large stakes in relatively few firms and have a low portfolio turnover. Quasi-indexed institutions hold large stakes in a large number of firms and may be regarded as passive buy-and-hold investors. Transient institutions hold small stakes in a large number of firms and have a high portfolio turnover.

**TABLE 6** Moderating effects of institutional ownership

| | | DV = *AVG_FOR_CSR_VOTES* | | | | | |
|---|---|---|---|---|---|---|---|
| | | (1) | (2) | (3) | (4) | (5) | (6) |
| Variable | Predicted sign | Coefficient (*t*-Statistics) | Coefficient (*t*-Statistics) | Coefficient (*t*-Statistics) | Coefficient (*t*-Statistics) | Coefficient (*t*-Statistics) | Coefficient (*t*-Statistics) |
| | | *INST* = 1 | *INST* = 0 | *NORM* = 1 | *NORM* = 0 | *DED* = 1 | *DED* = 0 |
| *SOCENV* | + | 11.090** | 2.789 | 12.430** | 3.592 | 13.183** | 3.103 |
| | | (2.21) | (1.15) | (2.02) | (1.24) | (2.03) | (1.13) |
| Constant | ? | 129.059*** | 97.200*** | 117.174*** | 132.238*** | 110.200*** | 125.313*** |
| | | (6.38) | (8.88) | (6.99) | (9.06) | (7.32) | (9.08) |
| Control variables | | Yes | Yes | Yes | Yes | Yes | Yes |
| Year fixed effects | | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry fixed effects | | Yes | Yes | Yes | Yes | Yes | Yes |
| Number of observations | | 324 | 393 | 397 | 320 | 366 | 351 |
| Adjusted $R^2$ | | 0.273 | 0.478 | 0.353 | 0.369 | 0.284 | 0.472 |

*Note*: This table reports the results of the moderating effects of institutional ownership on the association between CSR performance and shareholder votes for the CSR committee. The dependent variable (DV) is the average "for" votes for all CSR committee members (*AVG_FOR_CSR_VOTES*). The test variable is the two-factor (social and environmental) CSR score scaled by 100 (*SOCENV*). Standard errors are robust to heteroskedasticity and clustered at the firm and director levels. The direction of each test is indicated by the predicted sign. See Appendix C for variable definitions.** and *** represent two-tailed significance at the 10%, 5% and 1% levels, respectively.

2019). Based on the above, we argue that norm-constrained and dedicated institutional shareholders are more likely to consider a firm's CSR performance when voting for CSR committee members. Therefore, we predict that the association between CSR performance and shareholder votes for the CSR committee will be stronger in firms with greater norm-constrained and dedicated institutional ownership.

To test our predictions, we partition our sample into subsamples based on the median percentage of ownership held by norm-constrained institutions and the median percentage of ownership held by dedicated institutional shareholders. Table 6, columns 3–6, presents the results. We find that the mean percentage of "for" votes for the CSR committee is significantly and positively associated with CSR performance only in firms with high norm-constrained institutional ownership (column 3; $p < 0.05$) and high dedicated institutional ownership (column 5; $p < 0.05$). Furthermore, the Chow tests show that the differences in the coefficients of *SOCENV* in columns 1 versus 2, columns 3 versus 4 and columns 5 versus 6 are statistically significant ($p < 0.05$). Overall, our results support our conjecture that institutional shareholders, particularly norm-constrained and dedicated institutional shareholders, are more likely to respond to CSR performance through their votes.[33]

### 5.3.2 | Test of H4

**Changes in composition of the CSR committee**. H4a predicts that low shareholder support for the CSR committee will be positively associated with subsequent changes to the CSR committee structure. We adopt a logistic regression model to test H4a. The test variable, *LOW_DIFF_VOTES*, captures within-board shareholder dissatisfaction with the CSR committee. We also control for CSR performance and various firm and governance characteristics (Gal-Or et al., 2016; Kachelmeier et al., 2016).

We report our results in Table 7. We begin by examining the turnover of CSR committee members and non-CSR committee members following low shareholder votes. Columns 1 and 3 show that low shareholder support for the CSR committee is positively associated with the subsequent turnover of CSR committee members ($p < 0.01$) and experienced CSR committee members ($p < 0.01$). Specifically, there is an 8.5% increased likelihood that a CSR committee member will leave the board when evaluating other variables at their sample means. Compared with the unconditional likelihood that a CSR committee member will leave the board (21%), this represents an economically significant increase of 40.5%. Column 2 shows that there is no significant association between low shareholder support for the CSR committee and the subsequent turnover of non-CSR committee members, suggesting that these committee members are not held accountable for shareholder dissatisfaction with the CSR committee.

Next, we examine whether the departure of a CSR committee member is more likely to lead to the appointment of a new and experienced CSR committee member following low shareholder support. Column 4 shows that low shareholder support for the CSR committee is associated with a 3.8% increased likelihood that a new and experienced CSR committee member will replace the departing CSR committee member ($p < 0.01$), representing an economically significant increase of 95% from the unconditional likelihood of 4%. These results suggest that boards respond to the low shareholder support of the CSR committee by removing CSR committee members and replacing them with more experienced CSR committee members. Overall, our results support H4a.

**Changes in CSR performance**. H4b predicts that low shareholder support of the CSR committee is positively associated with subsequent improvements in CSR performance. Table 8 presents the results for the H4b test. Our dependent variable is the change in CSR performance in the year following the election (*chSOCENV*). We follow previous research

[33] To test the robustness of our results, in addition to the subsample analyses conducted above, we test the interaction effects of institutional ownership, norm-constrained institutional ownership and dedicated institutional ownership, respectively. Specifically, we include the interaction terms *SOCENV* × *INST*, *SOCENV* × *NORM* and *SOCENV* × *DED*, respectively, in our main model for H3 (see Appendix C for variable definition). Untabulated results show that the coefficients of these interaction terms are significant and positive ($p < 0.10$). Furthermore, a joint test of the coefficients for *SOCENV* and each of the interaction terms are significant and positive ($p < 0.10$). These results suggest that CSR committee members in firms with high institutional ownership, especially norm-constrained and dedicated institutional ownership, receive lower (higher) shareholder votes for poorer (better) CSR performance. Thus, our findings are robust to the test of interaction effects.

**TABLE 7** Changes in the composition of the CSR committee

| Variable | Predicted sign | DV = *LEAVE_CSR* (1) Coefficient (*t*-Statistics) | DV = *LEAVE_NONCSR* (2) Coefficient (*t*-Statistics) | DV = *LEAVE_EXP* (3) Coefficient (*t*-Statistics) | DV = *REPLACE_EXP* (4) Coefficient (*t*-Statistics) |
|---|---|---|---|---|---|
| *LOW_DIFF_VOTES* | + | 1.168*** | −0.218 | 1.270*** | 2.009*** |
| | | (3.13) | (−0.59) | (3.36) | (2.74) |
| *SOCENV* | − | 1.323 | −1.446 | 1.202 | 2.567 |
| | | (1.41) | (−1.59) | (1.19) | (0.91) |
| *SIZE* | ? | 0.220 | 0.197 | 0.289* | 0.740 |
| | | (1.43) | (1.41) | (1.71) | (1.33) |
| *LOSS* | + | 0.712** | 0.242 | 0.824** | 0.010 |
| | | (1.97) | (0.71) | (2.18) | (0.01) |
| *LEV* | + | −0.741 | 0.255 | −0.920 | 6.173*** |
| | | (−0.72) | (0.27) | (−0.85) | (2.87) |
| *RET* | − | 0.872** | −0.290 | 0.881** | 0.939 |
| | | (2.13) | (−0.73) | (2.13) | (0.85) |
| *DACC* | + | −11.370*** | −1.324 | −9.217** | −18.329* |
| | | (−3.01) | (−0.44) | (−2.44) | (−1.73) |
| *MAJORITY* | + | −0.527* | −0.435 | −0.622* | 0.735 |
| | | (−1.79) | (−1.45) | (−1.93) | (0.95) |
| *STAGGERED* | − | −0.824*** | −0.403** | −0.910*** | −0.144 |
| | | (−3.33) | (−2.02) | (−3.38) | (−0.28) |
| *INSTBLOCK_PERC* | + | 2.448 | 0.107 | 3.133** | 3.467 |
| | | (1.64) | (0.09) | (2.02) | (1.06) |
| *INSIDER_PERC* | − | 0.082 | −6.696 | 0.544 | −99.531 |
| | | (0.02) | (−1.46) | (0.15) | (−1.13) |
| *LNBDSIZE* | + | 1.891** | 3.283*** | 1.972** | −0.380 |
| | | (2.19) | (4.10) | (2.17) | (−0.16) |
| *DUALITY* | ? | −0.303 | −0.314 | −0.262 | 0.495 |
| | | (−1.18) | (−1.41) | (−0.99) | (0.91) |
| *BDIND_PERC* | + | 1.158 | 2.178 | 0.415 | −3.018 |
| | | (0.53) | (1.18) | (0.18) | (−0.52) |
| *BDBUSY_PERC* | + | −0.392 | 2.636 | −0.237 | −3.679 |
| | | (−0.18) | (1.36) | (−0.10) | (−0.68) |
| *FEMALE_PERC* | − | −2.915* | 0.525 | −2.547 | 2.034 |
| | | (−1.82) | (0.37) | (−1.58) | (0.50) |
| *LNCSRSIZE* | + | 0.820* | −1.678*** | 0.762 | −0.469 |
| | | (1.72) | (−3.75) | (1.48) | (−0.45) |
| *AVETEN* | + | 0.055 | 0.012 | 0.070 | 0.227** |
| | | (1.32) | (0.33) | (1.60) | (2.21) |

(Continues)

**TABLE 7** (Continued)

| Variable | Predicted sign | DV = *LEAVE_CSR* (1) Coefficient (*t*-Statistics) | DV = *LEAVE_NONCSR* (2) Coefficient (*t*-Statistics) | DV = *LEAVE_EXP* (3) Coefficient (*t*-Statistics) | DV = *REPLACE_EXP* (4) Coefficient (*t*-Statistics) |
|---|---|---|---|---|---|
| *AVEBRD* | + | −0.009 | −0.190 | −0.058 | 0.465 |
| | | (−0.03) | (−0.89) | (−0.20) | (0.75) |
| *LITIGATION* | + | −0.297 | −0.413 | −0.226 | 14.666*** |
| | | (−0.71) | (−1.03) | (−0.52) | (10.91) |
| Constant | ? | −41.341*** | −24.222*** | −43.960*** | −62.157*** |
| | | (−14.48) | (−8.85) | (−14.33) | (−6.98) |
| Year fixed Effects | | Yes | Yes | Yes | Yes |
| Industry fixed effects | | Yes | Yes | Yes | Yes |
| Number of observations | | 715 | 715 | 715 | 695 |
| Pseudo $R^2$ | | 0.178 | 0.116 | 0.184 | 0.425 |
| Area under ROC curve | | 0.78 | 0.72 | 0.78 | 0.94 |

*Note*: This table reports the results on the association between low shareholder support of the CSR committee and subsequent changes in CSR committee structure. The dependent variables (DVs) for columns 1, 2, 3 and 4 are *LEAVE_CSR* (indicator variable equals 1 if at least one CSR committee member left the board), *LEAVE_NONCSR* (indicator variable equals 1 if at least one non-CSR committee member left the board), *LEAVE_EXP* (indicator variable equals 1 if at least one experienced CSR committee member left the board), and *REPLACE_EXP* (indicator variable equals 1 if a new and experienced CSR committee member replaced a departing CSR committee member), respectively. The test variable is an indicator variable that equals 1 if the difference between the average percentage of "for" votes for CSR and non-CSR committee members is in the lowest decile, and 0 otherwise (*LOW_DIFF_VOTES*). Standard errors are robust to heteroskedasticity and clustered at the firm and director levels. The direction of each test is indicated by the predicted sign. See Appendix C for variable definitions.*, ** and *** represent two-tailed significance at the 10%, 5% and 1% levels, respectively.

and control for various firm characteristics, including firm size (*chSIZE*), profitability (*LOSS*), financing activities (*chFIN*), share liquidity (*chLIQUIDITY*), share return (*chRETURN*), operating cash flow (*chCFO*), firm growth (*chMB*), leverage (*chLEV*), global operations (*GLOBAL*), advertising intensity (*chADV*), research and development intensity (*chRD*), cash dividends (*DIV*), litigation expenses (*chLIT_EXP*) and various governance characteristics (Adams & Hardwick, 1998; Di Giuli & Kostovetsky, 2014; Johnson & Greening, 1999; Lys et al., 2015; McWilliams & Siegel, 2000; Orlitzky & Benjamin, 2001; Udayasankar, 2008).

Column 1 shows that low shareholder support of the CSR committee is associated with improvements in CSR performance in the year following the election ($p < 0.05$). In economic terms, low shareholder support for the CSR committee leads to an increase in the CSR performance score of approximately 0.021 in the subsequent year. This corresponds to 12.4% of the standard deviation of *SOCENV* in the pooled sample. Overall, our result supports H4b.[34]

In addition to CSR performance, we examine subsequent improvements in CSR reporting. Our dependent variable measures the change in the likelihood of issuing a standalone CSR report. Specifically, *CSR_REPORT* is equal to 2 if the

[34] Shareholders who actively seek to improve a firm's CSR performance may express their concerns through not only voting for CSR committee members but also initiating CSR-related shareholder proposals (Lee & Lounsbury, 2011; Wei, 2020). To support our inference that shareholders can enhance CSR performance through their votes on CSR committee members, we control for the number of CSR-related shareholder proposals (*PROPOSALS*) in our model. We find that our test variable (*LOW_DIFF_VOTES*) remains significant and positive ($p < 0.10$), whereas the coefficient of *PROPOSALS* is insignificant. This finding suggests that shareholder votes for CSR committee members is the primary channel that results in the improvement of CSR performance.

**TABLE 8** Changes in CSR performance and reporting

| Variable | Predicted sign | DV = *chSOCENV* (1) Coefficient (*t*-Statistics) | DV = *CSR_REPORT* (2) Coefficient (*t*-Statistics) |
|---|---|---|---|
| *LOW_DIFF_VOTES* | + | 0.021** | 0.773** |
| | | (2.35) | (1.99) |
| *chSIZE* | + | 0.064*** | −3.044** |
| | | (2.95) | (−2.02) |
| *LOSS* | − | 0.000 | −1.065 |
| | | (0.01) | (−1.56) |
| *chFIN* | + | 0.048 | −1.447 |
| | | (1.03) | (−0.69) |
| *chLIQUIDITY* | − | −0.002 | −0.280 |
| | | (−0.35) | (−1.12) |
| *chRETURN* | ? | −0.010 | −0.807 |
| | | (−1.14) | (−1.57) |
| *chCFO* | + | 0.261*** | −0.150 |
| | | (2.84) | (−0.04) |
| *chMB* | − | −0.000 | −0.011 |
| | | (−0.19) | (−0.46) |
| *chLEV* | − | −0.011 | 3.811 |
| | | (−0.15) | (1.09) |
| *chADV* | + | −0.867 | 57.207 |
| | | (−0.64) | (0.74) |
| *chRD* | + | −0.373 | 7.359 |
| | | (−0.30) | (0.18) |
| *GLOBAL* | + | −0.008 | −0.261 |
| | | (−1.53) | (−0.89) |
| *DIV* | + | −0.004 | −0.366 |
| | | (−0.38) | (−0.68) |
| *MAJORITY* | + | −0.004 | 0.543 |
| | | (−0.53) | (1.35) |
| *STAGGERED* | − | 0.009 | 0.750** |
| | | (1.31) | (2.02) |
| *chLNBDSIZE* | + | −0.071** | −0.629 |
| | | (−2.13) | (−0.28) |
| *DUALITY* | ? | −0.005 | −0.056 |
| | | (−0.81) | (−0.17) |

(Continues)

**TABLE 8** (Continued)

| Variable | Predicted sign | DV = *chSOCENV* (1) Coefficient (*t*-Statistics) | DV = *CSR_REPORT* (2) Coefficient (*t*-Statistics) |
|---|---|---|---|
| *chBDIND_PERC* | + | −0.182** | −1.779 |
| | | (−2.28) | (−0.34) |
| *chFEMALE_PERC* | + | −0.123* | −3.570 |
| | | (−1.76) | (−0.83) |
| *chLNCSRSIZE* | + | 0.035** | −0.403 |
| | | (2.15) | (−0.30) |
| *chAVETEN* | + | 0.002 | 0.085 |
| | | (0.88) | (1.18) |
| *chAVEBRD* | + | 0.003 | 0.061 |
| | | (0.46) | (0.16) |
| *chLIT_EXP* | + | −0.425 | −85.882* |
| | | (−0.38) | (−1.88) |
| Constant | ? | −0.001 | |
| | | (−0.04) | |
| Year fixed effects | | Yes | Yes |
| Industry fixed effects | | Yes | Yes |
| Number of observations | | 575 | 575 |
| Adjusted $R^2$/Pseudo $R^2$ | | 0.040 | 0.215 |

*Note*: This table reports results on the association between low shareholder support of the CSR committee and subsequent changes in CSR performance and reporting. The dependent variables (DVs) in columns 1 and 2 are the change in CSR performance (*chSOCENV*) and the change in CSR reporting (*CSR_REPORT*), respectively. The test variable is an indicator variable that equals 1 if the difference between the average percentage of "for" votes for CSR and non-CSR committee members is in the lowest decile, and 0 otherwise (*LOW_DIFF_VOTES*). Standard errors are robust to heteroskedasticity and clustered at the firm and director levels. The direction of each test is indicated by the predicted sign. See Appendix C for variable definitions.*, ** and *** represent two-tailed significance at the 10%, 5% and 1% levels, respectively.

firm issues a standalone CSR report in the year following the election but not in the year prior to the election; 1 if the firm either issues or does not issue a standalone CSR report in the years prior to and following the election; and 0 if the firm issues a standalone CSR report in the year prior to the election but not in the year following the election. We estimate an ordered logistic regression and report our results in Table 8, column 2. We find that low shareholder support of the CSR committee is associated with an improvement in CSR reporting ($p < 0.05$). Specifically, when shareholder support of the CSR committee is low, firms are more likely to change from not issuing a standalone CSR report prior to the election to issuing a report in the year following the election. Taken together, our results support the notion that shareholder voting on the CSR committee is effective in enhancing firms' CSR practices.

## 6 | ADDITIONAL ANALYSIS

Previous studies suggest that firms may enhance CSR performance following poor firm financial performance to appease shareholders (e.g., Zhang et al., 2021). Therefore, an alternative explanation for our results is that poor firm

**TABLE 9** Subsample analyses

| Variable | Predicted sign | DV = *ADJ_FOR_IND_VOTES* (1) Coefficient (*t*-Statistics) | DV = *ADJ_FOR_IND_VOTES* (2) Coefficient (*t*-Statistics) | DV = *ADJ_FOR_CSR_VOTES* (3) Coefficient (*t*-Statistics) | DV = *ADJ_FOR_CSR_VOTES* (4) Coefficient (*t*-Statistics) | DV = *AVG_FOR_CSR_VOTES* (5) Coefficient (*t*-Statistics) | DV = *AVG_FOR_CSR_VOTES* (6) Coefficient (*t*-Statistics) | DV = *chSOCENV* (7) Coefficient (*t*-Statistics) | DV = *chSOCENV* (8) Coefficient (*t*-Statistics) |
|---|---|---|---|---|---|---|---|---|---|
| | | High stock return and low CSR | Low stock return and high CSR | High stock return and low CSR | Low stock return and high CSR | High stock return and low CSR | Low stock return and high CSR | High stock return and low CSR | Low stock return and high CSR |
| *CSR_MEMBER* | + | 0.650*** | 0.854*** | | | | | | |
| | | (2.81) | (2.94) | | | | | | |
| *CSR_EXP* | + | | | 0.830* | 1.598* | | | | |
| | | | | (1.73) | (1.88) | | | | |
| *SOCENV* | + | | | | | 4.994* | 30.801** | | |
| | | | | | | (1.69) | (2.08) | | |
| *LOW_DIFF_VOTES* | + | | | | | | | 0.090** | 0.030** |
| | | | | | | | | (2.58) | (2.03) |
| Constant | ? | −1.485 | −0.910 | −7.227*** | 0.581 | 93.234*** | 114.720*** | −0.140 | −0.126** |
| | | (−0.92) | (−1.03) | (−2.75) | (0.14) | (6.04) | (4.01) | (−1.24) | (−2.18) |
| Control variables | | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Year fixed effects | | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry fixed effects | | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Number of observations | | 1,526 | 2,236 | 592 | 915 | 178 | 179 | 135 | 139 |
| Adjusted $R^2$ | | 0.029 | 0.009 | −0.014 | −0.010 | 0.301 | 0.612 | 0.117 | 0.128 |

*Note*: This table reports the results of the tests of H1, H2, H3 and H4b using different subsamples. The dependent variables (DVs) are the adjusted "for" votes for all independent directors (*ADJ_FOR_IND_VOTES*) in columns 1 and 2; the average "for" votes for all CSR committee members (*AVG_FOR_CSR_VOTES*) in columns 3 and 4; the average "for" votes for all CSR committee members (*AVG_FOR_CSR_VOTES*) in columns 5 and 6; and the change in CSR performance (*chSOCENV*) in columns 7 and 8. The test variables are (1) an indicator variable that equals 1 if a director serves on the CSR committee, and 0 otherwise (*CSR_MEMBER*) in columns 1 and 2; (2) an indicator variable that equals 1 if a CSR committee member sat on at least one CSR committee in the past 3 years, and 0 otherwise (*CSR_EXP*) in columns 3 and 4; (3) two-factor (social and environmental) CSR score scaled by 100 (*SOCENV*) in columns 5 and 6 and (4) an indicator variable that equals 1 if the difference between the average percentage of "for" votes for CSR and non-CSR committee members is in the lowest decile, and 0 otherwise (*LOW_DIFF_VOTES*) in columns 7 and 8. Standard errors are robust to heteroskedasticity and clustered at the firm and director levels. The direction of each test is indicated by the predicted sign. See Appendix C for variable definitions.*, **, and *** represent two-tailed significance at the 10%, 5% and 1% levels, respectively.

financial performance may drive the observed lower shareholder support for CSR committee members who also serve on other committees and the subsequent improvements in CSR performance. To alleviate the concern that our results are driven by firm financial performance, we reperform our analyses (for H1, H2, H3 and H4b) within subsamples of observations where financial performance is high (low) but CSR performance is low (high).[35] Specifically, using stock returns as a measure of firm financial performance, we partition our sample into two different subgroups: firms with above-median stock returns but below-median CSR performance versus firms with below-median stock returns but above-median CSR performance. We report our results in Table 9. In columns 1 and 2 (3 and 4), we find that the coefficient of *CSR_MEMBER* (*CSR_EXP*) is positive and significant in both subsamples. At the firm level, the coefficient of *SOCENV* is positive and significant in both columns 5 and 6. These findings reduce the concern that our results for H1, H2 and H3 are driven by CSR committee members' performance in other areas or committees not related to CSR. In addition, we find that the coefficient of *LOW_DIFF_VOTES* is positive and significant in both columns 7 and 8. These findings mitigate the concern that subsequent improvements in CSR performance are driven by poor financial performance.

## 7 | CONCLUSION

Recent regulatory efforts have emphasized the significance of shareholder voting in director elections. Increasingly, shareholders reflect their evaluation of directors through their votes in director elections. We examine shareholder election of CSR committee members and the effectiveness of shareholder votes in enhancing CSR performance. Our study is important given the importance that shareholders place on CSR and the responsibilities of the board of directors in overseeing a firm's CSR practices.

Our results yield several key findings. First, we find that CSR committee members receive a higher percentage of "for" votes than other directors, suggesting that shareholders recognize the value of services provided by CSR committee members. Second, we find that CSR committee members with CSR-related skills and experience receive a higher percentage of "for" votes compared with those without such skills and experience, indicating that shareholders value CSR-related experience and skills in the CSR committee. Third, our results demonstrate that shareholders provide lower (greater) support for CSR committee members than for non-CSR committee members in firms with poorer (better) CSR performance, suggesting that they distinguish between directors based on their specific board duties. Finally, we show that low shareholder support of the CSR committee is associated with improvements in CSR committee structure and CSR performance, suggesting that shareholders can influence CSR performance through their votes in director elections. Overall, our findings contribute to the shareholder voting and CSR literature and inform the policy debate on shareholder empowerment.

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[35] We do not perform the subsample analysis for H4a because, given the small sample size in the subsamples, there is a lack of variation in our dependent variables (*LEAVE_CSR*, *LEAVE_EXP* and *REPLACE_EXP*) within each firm.

## DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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## APPENDIX A: SAMPLE DESCRIPTIONS OF DIRECTOR SKILLS FROM PROXY STATEMENTS

Appendix A provides three sample descriptions of director skills taken from three companies within our sample. All company and director names have been removed. Key words indicating CSR-related skills are italicized.

**Company A, Director A, 2016**

Director A is a CPA [certified public accountant] with extensive experience working in financial and accounting roles in public companies and working with public company boards. He has been a senior executive with the last four companies at which he has worked and served in several board advisory roles. He also brings experience in the *corporate responsibility* area, including having previously served as a board member of Company X, a leader in leveraging carbon markets to ensure the complete life cycle management of refrigerants.

**Company B, Director B, 2015**

Summary of experiences, qualifications and skills considered in renominating Director B:

- Broad leadership experience: Strong leadership capabilities and insights, particularly with major consumer brands, from his roles as chief executive officer for Company Y and board member of consumer product companies.

- Consumer packaged goods experience: Deep knowledge of strategy and business development, finance, marketing and consumer insights, supply chain management and *sustainability* and other *social responsibility* matters pertinent to a global consumer products food company.
- Corporate governance: Broad understanding of governance issues facing public companies from his board service to other public companies.

**Company C, Director C, 2014**

Qualifications, experience, attributes and skills: Director C brings to the board extensive board and senior executive-level experience in logistics services, technology, strategy, *safety* and *environmental* issues as a result of his 32-year career in the freight railroad and transportation industries. In addition, he serves as chairman and chief executive officer of a Fortune 500 public company, providing him insight into and experience with the operations, challenges and complex issues facing large corporations. Director C is also active in a number of associations and organizations focusing on business, public policy and governance.

## APPENDIX B: DESCRIPTIONS OF THOMSON REUTERS ASSET4 CATEGORIES (OBTAINED FROM ASSET4 DOCUMENTS)

ASSET4 provides objective and publicly available data on firms' economic, governance, environmental and social dimensions. Its data sources include stock exchange filings, annual financial and sustainability reports, nongovernmental organization websites and various news sources. Each firm receives an annual z score for each of the four dimensions, benchmarking its performance against that of other firms in the database. The environmental and social dimensions are described in the table below.

| | |
|---|---|
| **Environmental Component** | |
| Resource reduction | The resource reduction category measures a company's management commitment and effectiveness toward achieving an efficient use of natural resources in the production process. It reflects a company's capacity to reduce the use of materials, energy or water, and to find more eco-efficient solutions by improving supply chain management. |
| Emission reduction | The emission reduction category measures a company's management commitment and effectiveness toward reducing environmental emission in the production and operational processes. It reflects a company's capacity to reduce air emissions (greenhouse gases, F-gases, ozone-depleting substances, NOx and SOx, etc.), waste, hazardous waste, water discharges, spills or its impacts on biodiversity and to partner with environmental organizations to reduce the environmental impact of the company in the local or broader community. |
| Product innovation | The product innovation category measures a company's management commitment and effectiveness toward supporting the research and development of eco-efficient products or services. It reflects a company's capacity to reduce the environmental costs and burdens for its customers, and thereby creating new market opportunities through new environmental technologies and processes or eco-designed, dematerialized products with extended durability. |
| **Social component** | |
| Employment quality | The workforce/employment quality category measures a company's management commitment and effectiveness toward providing high-quality employment benefits and job conditions. It reflects a company's capacity to increase its workforce loyalty and productivity by distributing rewarding and fair employment benefits, and by focusing on long-term employment growth and stability by promoting from within, avoiding lay-offs and maintaining relations with trade unions. |
| Health and safety | The workforce/health and safety category measures a company's management commitment and effectiveness toward providing a healthy and safe workplace. It reflects a company's capacity to increase its workforce loyalty and productivity by integrating into its day-to-day operations a concern for the physical and mental health, well-being and stress level of all employees. |

(Continues)

| | |
|---|---|
| Training and development | The workforce/training and development category measures a company's management commitment and effectiveness toward providing training and development (education) for its workforce. It reflects a company's capacity to increase its intellectual capital, workforce loyalty and productivity by developing the workforce's skills, competences, employability and careers in an entrepreneurial environment. |
| Diversity and opportunity | The workforce/diversity and opportunity category measures a company's management commitment and effectiveness toward maintaining diversity and equal opportunities in its workforce. It reflects a company's capacity to increase its workforce loyalty and productivity by promoting an effective life-work balance, a family friendly environment and equal opportunities regardless of gender, age, ethnicity, religion or sexual orientation. |
| Human rights | The society/human rights category measures a company's management commitment and effectiveness toward respecting the fundamental human rights conventions. It reflects a company's capacity to maintain its license to operate by guaranteeing the freedom of association and excluding child, forced or compulsory labor. |
| Community | The society/community category measures a company's management commitment and effectiveness toward maintaining the company's reputation within the general community (local, national and global). It reflects a company's capacity to maintain its license to operate by being a good citizen (donations of cash, goods or staff time, etc.), protecting public health (avoidance of industrial accidents, etc.) and respecting business ethics (avoiding bribery and corruption, etc.). |
| Customer/ product responsibility | The customer/product responsibility category measures a company's management commitment and effectiveness toward creating value-added products and services upholding the customer's security. It reflects a company's capacity to maintain its license to operate by producing quality goods and services integrating the customer's health and safety, and preserving its integrity and privacy also through accurate product information and labeling. |

## APPENDIX C: DEFINITION AND COMPUTATION OF VARIABLES

| Variable name | Variable definition | Source |
|---|---|---|
| **Dependent variables** | | |
| ***Director level*** | | |
| *FOR_VOTES* | Number of "for" votes divided by the sum of "for" and withheld votes. | ISS Voting Analytics |
| *ADJ_FOR_IND_VOTES* | Percentage of "for" votes for individual board members adjusted by subtracting the average percentage of "for" votes for all board members. | ISS Voting Analytics |
| *ADJ_FOR_CSR_VOTES* | Percentage of "for" votes for individual CSR committee members adjusted by subtracting the average percentage of "for" votes for all CSR committee members. | ISS Voting Analytics |
| ***Firm level*** | | |
| *AVG_FOR_CSR_VOTES* | Average percentage of "for" votes for CSR committee members. | ISS Voting Analytics |
| *AVG_FOR_NONCSR_VOTES* | Average percentage of "for" votes for non-CSR committee members. | ISS Voting Analytics |
| *DIFF_AVG_FOR_VOTES* | Difference between the average percentage of "for" votes for CSR and non-CSR committee members. | ISS Voting Analytics |

(Continues)

| Variable name | Variable definition | Source |
|---|---|---|
| *LEAVE_CSR* | Indicator variable equal to 1 if a CSR committee member left the board in the year following an election period, and 0 otherwise. | BoardEx |
| *LEAVE_NONCSR* | Indicator variable equal to 1 if a non-CSR committee member left the board in the year following an election period, and 0 otherwise. | BoardEx |
| *LEAVE_EXP* | Indicator variable equal to 1 if an experienced CSR committee member left the board in the year following an election period, and 0 otherwise. | BoardEx |
| *REPLACE_EXP* | Indicator variable equal to 1 if a new and experienced CSR committee member replaced a departing CSR committee member in the year following an election period, and 0 otherwise. | BoardEx |
| *CSR_REPORT* | Change in the likelihood of issuing a standalone CSR report. Equals 2 if the firm issued a standalone CSR report in the year following the election but not in the year prior to the election; 1 if the firm either issued or did not issue a standalone CSR report in the years prior to and following the election; and 0 if the firm issued a standalone CSR report in the year prior to the election but not in the year following the election. | ASSET4 |
| **Test variables** | | |
| ***Director level*** | | |
| *CSR_MEMBER* | Indicator variable equal to 1 if a director serves on the CSR committee, and 0 otherwise. | BoardEx |
| *CSR_ONLY* | Indicator variable equal to 1 if a director serves on the CSR committee and no other committees, and 0 otherwise. | BoardEx |
| *CSR_OTHERS* | Indicator variable equal to 1 if a director serves on the CSR committee and at least 1 other committee, and 0 otherwise. | BoardEx |
| *CSR_ EXP* | Indicator variable equal to 1 if a CSR committee member sat on at least 1 CSR committee in the past 3 years, and 0 otherwise. | BoardEx |
| *CSR_SKILL* | Indicator variable equal to 1 if a CSR committee member has CSR-related skills, and 0 otherwise. CSR committee members are determined to have CSR-related skills if the description of their skills in the proxy statement has at least one of the following terms: environmental, safety, sustainability, corporate responsibility, ethics, or social responsibility. | Proxy statement |
| *CSR_CHAIR* | Indicator variable equal to 1 if a CSR committee member is chairing the CSR committee, and 0 otherwise. | BoardEx |
| ***Firm level*** | | |
| *SOCENV* | Two-factor (social and environmental) CSR score scaled by 100. | ASSET4 |
| *LOW_DIFF_VOTES* | Indicator variable equal to 1 if *DIFF_AVG_FOR_VOTES* is in the lowest decile and 0 otherwise. | ISS Voting Analytics |
| **Control variables** | | |
| ***Director level*** | | |
| *AC_MEMBER* | Indicator variable equal to 1 if a director serves on an audit committee, and 0 otherwise. | BoardEx |
| *RC_MEMBER* | Indicator variable equal to 1 if a director serves on a remuneration committee, and 0 otherwise. | BoardEx |

(Continues)

| Variable name | Variable definition | Source |
|---|---|---|
| *NC_MEMBER* | Indicator variable equal to 1 if a director serves on a nomination committee, and 0 otherwise. | BoardEx |
| *GC_MEMBER* | Indicator variable equal to 1 if a director serves on a governance committee, and 0 otherwise. | BoardEx |
| *ISS_NEG* | Indicator variable equal to 1 if the ISS recommendation is negative, and 0 otherwise. | ISS Voting Analytics |
| *NEW_DIR* | Indicator variable equal to 1 for directors who are new to the board (tenure less than 1 year), and 0 otherwise. | BoardEx |
| *AGE65* | Indicator variable equal to 1 if the director is above 65 years of age, and 0 otherwise. | BoardEx |
| *FEMALE* | Indicator variable equal to 1 if the director is female, and 0 otherwise. | BoardEx |
| *BUSY_DIR* | Indicator variable equal to 1 for directors who serve on more than three corporate boards, and 0 otherwise. | BoardEx |
| *FIN_EXP* | Indicator variable equal to 1 if a director is a financial expert, and 0 otherwise. | BoardEx |
| *NOQUALS* | Number of qualifications. | BoardEx |
| *NEW_CSR* | Indicator variable equal to 1 for CSR committee members who are new to the CSR committee (tenure less than 1 year), and 0 otherwise. | BoardEx |
| ***Firm level*** | | |
| *SIZE* | Natural log of total assets. | Compustat (*AT*) |
| *LOSS* | Indicator variable equal to 1 if net income is negative, and 0 otherwise. | Compustat (*NI*) |
| *LEV* | Ratio of long-term debt to total assets. | Compustat (*DLTT*, *AT*) |
| *RET* | Annual stock returns less same-period returns on the CRSP value-weighted portfolios of NYSE, AMEX, or Nasdaq stocks. | CRSP |
| *DACC* | Discretionary accruals measured by the residual based on industry-year using performance-adjusted modified Jones model (Dechow et al., 1995; J. J. Jones, 1991; Kothari et al., 2005): $TAC_{ijt}/A_{ijt-1} = \alpha_j + \beta_{1j}(1/A_{ijt-1}) + \beta_{2j}[(\Delta REV_{ijt} - \Delta REC_{ijt})/A_{ijt-1}] + \beta_{3j}(PPE_{ijt}/A_{ijt-1}) + \beta_{4j}ROA_{t-1} + \varepsilon_{ijt-1}$, where $TAC_{ijt}$ = total accruals for firm *i* in industry *j* in the current year *t*; $A_{ijt-1}$ = total assets for firm *i* in industry *j* at the end of the previous year; $\Delta REV_{ijt}$ = change in revenue for firm *i* in industry *j* from the previous year; $\Delta REC_{ijt}$ = change in receivables for firm *i* industry *j* from the previous year; $PPE_{ijt}$ = gross property, plant and equipment for firm *i* in industry *j* in the current year; $ROA_{t-1}$ = return on assets at the end of the previous year. | Compustat (*IB*, *OANCF*, *AT*, *REVT*, *RECT*, *PPEGT*) |
| *RESTATE* | Indicator variable equal to 1 if the firm has a nontechnical restatement during the year, and 0 otherwise. | Audit Analytics |
| *BIG4* | Indicator variable equal to 1 if the firm is audited by a Big Four auditor, and 0 otherwise. | Audit Analytics |
| *LNFEE* | Natural log of auditing fees. | Audit Analytics |
| *LNNAS* | Natural log of nonauditing fees. | Audit Analytics |
| *CHANGE* | Indicator variable equal to 1 if the firm changed its auditor during the fiscal year, and 0 otherwise. | Audit Analytics |

(Continues)

| Variable name | Variable definition | Source |
|---|---|---|
| *MAJORITY* | Indicator variable equal to 1 if directors are only elected if they receive >50% of the votes, and 0 otherwise. | ISS Voting Analytics |
| *STAGGERED* | Indicator variable equal to 1 for boards with staggered elections, and 0 otherwise. | ISS Voting Analytics |
| *INSTBLOCK_PERC* | Percentage of shares held by institution shareholders that hold 5% or more of the total shares. | TR Institutional Holdings |
| *INSIDER_PERC* | Percentage of shares held by insiders. | TR Institutional Holdings |
| *LNBDSIZE* | Natural log of board size. | BoardEx |
| *DUALITY* | Indicator variable equal to 1 if the CEO is also the chairman of the board, and 0 otherwise. | BoardEx |
| *BDIND_PERC* | Percentage of independent directors on the board. | BoardEx |
| *BDBUSY_PERC* | Percentage of CSR committee members who serve on more than three corporate boards. | BoardEx |
| *FEMALE_PERC* | Percentage of female CSR committee members on the board. | BoardEx |
| *LNCSRSIZE* | Natural log of CSR committee size. | BoardEx |
| *AVETEN* | Average number of years CSR committee members serve on the board. | BoardEx |
| *AVEBRD* | Average number of directorships held by CSR committee members. | BoardEx |
| *LITIGATION* | Indicator variable equal to 1 for firms in technology industries (SIC codes in the 2830 s, 3570 s, 3825–3829 s, 7370 s and 8730 s), and 0 otherwise. | Compustat |
| *FIN* | Amount of debt or equity capital raised by the firm during the year scaled by total assets. | Compustat (*SSTK*, *PRSTKC*, *DLTIS*, *DLTR*, *AT*) |
| *LIQUIDITY* | Ratio of the number of shares traded in the year to the total shares outstanding at the year end. | Compustat (*CSHTR_F*, *CSHO*) |
| *CFO* | Cash flow from operations divided by total assets. | Compustat (*OANCF*, *AT*) |
| *MB* | Market-to-book ratio. | Compustat (*CSHO*, *PRCC_F*, *CEQ*) |
| *ADV* | Advertising intensity, calculated as advertising expense scaled by net sales. | Compustat (*XAD*, *SALE*) |
| *RD* | Research and development expenses scaled by net sales. | Compustat (*XRD*, *SALE*) |
| *GLOBAL* | Indicator variable equal to 1 if a firm reports foreign exchange gain or loss, and 0 otherwise. | Compustat (*FCA*) |
| *DIV* | Indicator variable equal to 1 if the firm paid a dividend during the year, and 0 otherwise. | Compustat (*DVT*) |
| *LIT_EXP* | Litigation expenses scaled by net sales. | ASSET4 |
| *chX* | Change variables representing the difference between the year prior to the election period and the year subsequent to the election period for the respective variables. | – |

(Continues)

| Variable name | Variable definition | Source |
|---|---|---|
| **Moderating variables** | | |
| *INST* | Indicator variable equal to 1 if the percentage of shares held by institution block holders (*INSTBLOCK_PERC*) is above median, and 0 otherwise. | TR Institutional Holdings |
| *NORM* | Indicator variable equal to 1 if the percentage of shares held by norm-constrained institutional shareholders is above median, and 0 otherwise. Norm-constrained institutions refer to pension funds, universities and religious, charitable and non-for-profit institutions. | CDA Spectrum |
| *DED* | Indicator variable equal to 1 if the percentage of shares held by dedicated institutional shareholders is above median, and 0 otherwise. Dedicated institutions refer to long-term institutional shareholders that hold large stakes in relatively few firms and have low portfolio turnover (Bushee, 1998). | CDA Spectrum |
| **Other variables in descriptive statistics or additional tests** | | |
| *AT* | Total assets. | Compustat item *AT* |
| *FEE* | Auditing fees. | Audit Analytics |
| *NAS* | Nonauditing fees. | Audit Analytics |
| *BDSIZE* | Board size. | BoardEx |
| *CSRSIZE* | CSR committee size. | BoardEx |
| *IND_CSR_COMM* | The percentage of firms with a CSR committee within the same two-digit SIC industry in a given year. | BoardEx |
| *NEGATIVE_NEWS* | Indicator variable equal to 1 if a firm has negative CSR-related news during the year, and 0 otherwise. | Raven Pack |
| *OPTIMAL* | Optimal CSR, defined as the predicted value from a regression of CSR performance of various economic determinants and industry and year fixed effects please refer to Lys et al. (2015) for details. | – |
| *DEVIATE* | Deviation from optimal CSR, defined as the difference between *SOCENV* and *OPTIMAL*. | – |
| *PROPOSALS* | Number of CSR-related shareholder proposals during the year. | ISS Voting Analytics |
| *RECENT* | Indicator variable equal to 1 for fiscal years 2010 onward, and 0 for fiscal years prior to 2010. | Compustat |
| *CSR_SCORE* | Net CSR score, calculated as a firm's total strengths minus total concerns, based on MSCI's evaluations for community relations, diversity, employee relations, environment and humanity. | MSCI STATS |

Abbreviations: AMEX, American Stock Exchange; CRSP, Center for Research in Security Prices; CSR, corporate social responsibility; ISS, Institutional Shareholder Services; NYSE, New York Stock Exchange; SIC, Standard Industrial Classification; TR, Thomson Reuters.

## APPENDIX D: HECKMAN CORRECTION FOR SAMPLE SELECTION

Following Lennox et al. (2012), we use a two-stage Heckman correction model to mitigate potential selection bias. At the first stage, we estimate the probability that a firm has a CSR committee by fitting the following probit model at the

**TABLE D1** First-stage selection model

| Variable | Predicted sign | Dependent variable = *CSR_COMM* | |
|---|---|---|---|
| | | Coefficient | *t*-Statistic |
| *IND_CSR_COMM* | + | 6.935*** | 12.10 |
| *SIZE* | + | 0.335*** | 7.44 |
| *LOSS* | – | 0.081 | 1.08 |
| *LEV* | ? | 0.233 | 0.89 |
| *RET* | + | 0.022 | 0.45 |
| *LNBDSIZE* | + | 1.232*** | 5.45 |
| *DUALITY* | ? | 1.174* | 1.88 |
| *BDIND_PERC* | + | 1.837*** | 3.53 |
| *INSTBLOCK_PERC* | + | −0.033 | −0.12 |
| *INSIDER_PERC* | + | −0.339 | −0.07 |
| Constant | ? | −13.560*** | −17.46 |
| Year fixed effects | | Yes | |
| Industry fixed effects | | Yes | |
| Number of firm-years | | 20,567 | |
| Pseudo-$R^2$ | | 0.412 | |
| Area under ROC curve | | 0.93 | |

*Note*: This table reports the first-stage probit regression result of the Heckman correction for sample selection. The exclusive instrument is the percentage of firms with a CSR committee within the same two-digit SIC industry in a given year (*IND_CSR_COMM*). The dependent variable is an indicator variable equal to 1 if the firm has a CSR committee, and 0 otherwise (*CSR_COMM*). Standard errors are robust to heteroskedasticity and clustered at the firm level. See Appendix C for variable definition.* and *** represent two-tailed significance at the 10%, 5%, and 1% levels, respectively.

firm level:

$$\begin{aligned} CSR\_COMM_{i,t} = \beta_0 &+ \beta_1 IND\_CSR\_COMM_{i,t} + \beta_2 SIZE_{i,t} + \beta_3 LOSS_{i,t} + \beta_4 LEV_{i,t} + \beta_5 RET_{i,t} \\ &+ \beta_6 LNBDSIZE_{i,t} + \beta_7 DUALITY_{i,t} + \beta_8 BDIND\_PERC_{i,t} + \beta_9 INSTBLOCK\_PERC_{i,t} \\ &+ \beta_{10} INSIDER\_PERC_{i,t} + Year\ Fixed\ Effects + Industry\ Fixed\ Effects + \varepsilon_{i,t}, \end{aligned} \quad (1)$$

where *CSR_COMM* is an indicator variable equal to 1 if the firm has a CSR committee, and 0 otherwise. To satisfy the exclusion restrictions for a Heckman correction model, we include the percentage of firms with a CSR committee within the same two-digit Standard Industrial Classification (SIC) industry in a given year (*IND_CSR_COMM*) as an exclusive first-stage instrument. Our instrument choice is based on two considerations. First, we expect a firm's likelihood of having a CSR committee to be associated with the percentage of firms that have a CSR committee within the same industry (instrument relevance). Previous studies suggest that a firm is more likely to institute a governance practice if similar firms within the industry engage in the same practice (e.g., Faleye, 2015; Joseph et al., 2014; Van Peteghem et al., 2018). Thus, we expect a firm's board structure to be associated with industry practice. Second, while it is difficult to argue that governance practice in the industry has absolutely no direct effect on shareholder votes to directors, it is unlikely that shareholder voting at the individual director level is directly impacted by the extent to which similar firms within the industry have a CSR committee (instrument validity).

Table D1 reports the first-stage probit regression result of the Heckman correction for sample selection. Consistent with our expectation, the coefficient of our exclusion instrument, *IND_CSR_COMM*, is significant and positive ($p < 0.01$).

Furthermore, the area under the ROC curve was 0.93, suggesting that the predictive power of our model was satisfactory (Hosmer & Lemeshow, 2000). We compute the inverse Mills ratio (*IMR*) based on the normal density and cumulative distribution function from model 1. We then control for possible selection effects by including *IMR* in the second-stage regression.

## APPENDIX E: OVERVIEW OF THE PROPENSITY SCORE MATCHING PROCEDURE

Following Rosenbaum (2002) and Rosenbaum and Rubin (1983), we use PSM to enable a closer comparison of firms that share similar characteristics apart from the existence of a CSR committee. For each firm with a CSR committee (treatment firms), we select a matching firm without a CSR committee but with the closest propensity score (control firms). This propensity score is the predicted probability that a firm has a CSR committee from the following logistic model:

$$\begin{aligned} CSR\_COMM_{i,t} = {} & \beta_0 + \beta_1 SIZE_{i,t} + \beta_2 LOSS_{i,t} + \beta_3 LEV_{i,t} + \beta_4 RET_{i,t} + \beta_5 LNBDSIZE_{i,t} + \beta_6 DUALITY_{i,t} \\ & + \beta_7 BDIND\_PERC_{i,t} + \beta_8 INSTBLOCK\_PERC_{i,t} + \beta_9 INSIDER\_PERC_{i,t} + Year\ Fixed\ Effects \\ & + Industry\ Fixed\ Effects + \varepsilon_{i,t}, \end{aligned} \tag{2}$$

where *CSR_COMM* is an indicator variable equal to 1 if the firm has a CSR committee, and 0 otherwise. Explanatory variables in model 2 include various firm characteristics and corporate governance characteristics (see Appendix C for variable definitions). The PSM sample is based on a one-to-one match, without replacement, of treatment observations (*CSR_COMM* = 1) to control observations (*CSR_COMM* = 0) within a caliper range of 1%. This results in 868 matched pairs (1736 firm-year observations) at the firm level. Estimates from the logistic regression model are shown in Table E1. The model fits well, with a pseudo-$R^2$ of 39.2% and an area under the ROC curve of 0.92. The mean and median values of the explanatory variables and propensity scores for treatment and control firms are reported in Table E2. The results show that all mean differences of observable covariates and the propensity scores are insignificant. Thus, covariate balance is achieved on explanatory variables.

**TABLE E1** Propensity score matching: Results of logistic regression

| | | Dependent variable = *CSR_COMM* | |
|---|---|---|---|
| **Variable** | **Predicted sign** | **Coefficient** | ***t*-Statistic** |
| *SIZE* | + | 0.696*** | 17.98 |
| *LOSS* | – | 0.189 | 1.61 |
| *LEV* | ? | 0.411 | 1.53 |
| *RET* | + | –0.027 | –0.21 |
| *LNBDSIZE* | + | 2.353*** | 9.02 |
| *DUALITY* | ? | 0.271*** | 3.17 |
| *BDIND_PERC* | + | 3.727*** | 7.16 |
| *INSTBLOCK_PERC* | + | 0.369 | 1.02 |
| *INSIDER_PERC* | + | –0.363 | –0.46 |
| Constant | ? | –33.699 | –0.08 |
| Year fixed effects | | Yes | |
| Industry fixed effects | | Yes | |

(Continues)

**TABLE E1** (Continued)

| Variable | Predicted sign | Dependent variable = *CSR_COMM* | |
|---|---|---|---|
| | | Coefficient | *t*-Statistic |
| Number of firm-years | | 20,567 | |
| Pseudo-$R^2$ | | 0.392 | |
| Area under ROC curve | | 0.92 | |

*Note*: This table reports the first-stage logistic regression result of the propensity score matching procedure. The propensity score matched sample is based on a one-to-one match, without replacement, of treatment observations to control observations within a caliper range of 1%. See Appendix C for variable definition.*** represent two-tailed significance at the 10%, 5% and 1% levels, respectively.

**TABLE E2** Propensity score matching: Descriptive statistics of treatment and control firms

| Variable | *CSR_COMM* = 1 (*n* = 868) | | *CSR_COMM* = 0 (*n* = 868) | | *t*-Statistic/ chi-square [a] |
|---|---|---|---|---|---|
| | Mean | Median | Mean | Median | |
| *SIZE* | 9.153 | 9.356 | 9.166 | 9.305 | 0.178 |
| *LOSS* | 0.161 | 0.000 | 0.154 | 0.000 | 0.693 |
| *LEV* | 0.304 | 0.301 | 0.307 | 0.303 | 0.431 |
| *RET* | 0.134 | 0.138 | 0.106 | 0.115 | −1.612 |
| *LNBDSIZE* | 2.371 | 2.398 | 2.372 | 2.398 | 0.052 |
| *DUALITY* | 0.630 | 1.000 | 0.620 | 1.000 | 0.655 |
| *BDIND_PERC* | 0.855 | 0.889 | 0.857 | 0.889 | 0.674 |
| *INSTBLOCK_PERC* | 0.216 | 0.198 | 0.215 | 0.192 | −0.135 |
| *INSIDER_PERC* | 0.018 | 0.006 | 0.020 | 0.005 | 0.794 |
| Propensity score | 0.266 | 0.233 | 0.268 | 0.233 | 0.164 |

*Note*: This table reports the descriptive statistics of treatment and control firms in the propensity matched sample. See Appendix C for variable definition.[a]*t*-Values are reported for continuous variables, and chi-square values are reported for indicator variables.