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Do CSR Committees Pay Off? Direct and Indirect Links to Financial and ESG Performance

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ABSTRACT

Corporate boards increasingly delegate sustainability oversight to dedicated CSR committees, yet evidence on whether these committees improve corporate performance remains mixed. This study argues that part of this inconsistency arises because prior research often emphasizes overall associations between CSR committees and performance without distinguishing between direct links and indirect benefits that operate through stakeholder-oriented CSR strategy and reporting practices. Using an unbalanced panel of 7667 firm-year observations from 1621 listed firms across 36 countries over 2010–2021, this study tests a mediation framework in which these practices transmit the relationship between CSR committee presence and both financial and nonfinancial outcomes. Results reveal a clear tension. Controlling for the mediator, CSR committee is directly associated with lower financial performance but higher ESG performance. At the same time, CSR committee presence is strongly associated with stronger stakeholder-oriented CSR strategy and reporting practices, which are positively related to both financial and ESG outcomes, generating a positive indirect effect that exceeds the direct effect in magnitude. These inferences are corroborated using instrumental-variables estimation and a simultaneous-equations approach to mitigate endogeneity concerns. Overall, the findings suggest that CSR committees "pay off" primarily through the stakeholder-oriented practices they help institutionalize, rather than through their mere existence.

1 | Introduction

Corporate boards increasingly formalize oversight of corporate social responsibility (CSR) and sustainability through specialized governance structures such as CSR (or sustainability) committees. These committees are intended to support board monitoring and strategic guidance on CSR-related risks, opportunities, and stakeholder obligations, and may also strengthen the credibility and quality of corporate reporting to stakeholders (De Villiers and Van Staden 2010; Peters and Romi 2015; Cucari et al. 2018). The growing attention to committee-based sustainability oversight coincides with a broader institutional shift toward more standardized sustainability reporting, including the IFRS Foundation's establishment of the International Sustainability Standards Board (ISSB) and parallel regulatory developments in the European Union (ISSB 2022). Despite this momentum, empirical evidence on whether CSR committees improve corporate performance remains mixed, particularly for financial outcomes.

This ambiguity is unsurprising given persistent definitional and measurement challenges surrounding CSR and related constructs (Dahlsrud 2008). It is also consistent with competing theoretical expectations. On the one hand, CSR committee formation may reflect a substantive governance investment that strengthens accountability and responsiveness to salient stakeholders

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(Freeman 1984; Herremans et al. 2016; Helfaya and Moussa 2017). On the other hand, CSR committee adoption may function partly as a symbolic structure that enhances perceptions of responsibility without necessarily generating commensurate operational change, thereby weakening or even reversing expected financial effects (Michelon and Parbonetti 2012; Rupley et al. 2012; Peters et al. 2019; Chams and García-Blandón 2019). Recent evidence on sustainability governance and decoupling reinforces this tension. CSR committees may be associated with closer alignment between sustainability disclosures and underlying practices, yet adoption may still reflect signaling incentives, suggesting that performance implications may differ across direct versus practice-related pathways (Gull et al. 2024).

Against this background, prior research documented heterogeneous associations between CSR committee presence and nonfinancial performance across specific settings and samples. Several studies report positive links between CSR committees and CSR or sustainability performance (e.g., Konadu 2017; Lin et al. 2015; Birindelli et al. 2018; Biswas et al. 2018; Baraibar-Diez and Odriozola 2019; Burke et al. 2019; Orazalin 2020), whereas others report null effects or effects limited to specific dimensions (Burke et al. 2019; Rodrigue et al. 2013; Lin et al. 2015). Additional work treats CSR committees as moderators in broader CSR-performance relationships and likewise finds mixed results across contexts and proxies (e.g., García-Sánchez et al. 2019; Martínez-Ferrero et al. 2021; Orazalin 2020). One likely reason is that committee existence alone captures only the formal presence of a governance structure, not how effectively it operates in practice (e.g., Velte and Stawinoga 2020; Elmaghrabi 2021). Overall, the literature indicates that CSR committee adoption is widespread and increasing (e.g., Spitzeck 2009; Gennari and Salvioni 2019; Jaggi et al. 2018), but it still offers limited evidence on the organizational pathway through which CSR committees may become performance-relevant. Recent studies have examined CSR committees from perspectives that differ from the approach adopted in this study. For example, Bifulco et al. (2023) examine CSR committees as moderators of the ESG score-market value relationship in a European setting, while Gull et al. (2024) focus on sustainability committees and environmental decoupling, showing that lower disclosure-performance misalignment is associated with better financial outcomes. The present study examines whether CSR committees become associated with financial and nonfinancial performance through stakeholder-oriented CSR strategy and reporting practices. In doing so, it shifts attention from moderation and decoupling toward a plausible pathway of how CSR committees may become associated with performance in a cross-country setting.

A firm may have a highly formalized CSR strategy without giving stakeholders meaningful participation in decision-making, just as it may maintain active stakeholder dialogue without fully integrating CSR into core management processes. Whether jointly or separately, these practices have become increasingly important to how firms manage stakeholder relationships, respond to investor pressures, and communicate sustainability-related strategy and performance (UN Global Compact 2012; UN Global Compact-Accenture 2021, 2023). Prior research further suggests that stakeholder engagement (whether the firm consults, involves, or incorporates stakeholders' views in governance or decision-making) and transparency can reduce capital constraints and influence financial outcomes (e.g., Cheng et al. 2014). In addition, CSR reporting can operate as an intervening variable connecting engagement with social performance outcomes (Manetti 2011; Friske et al. 2020). In this study, we define stakeholder engagement in a narrow sense as referring broadly to the formalized practices through which firms identify stakeholder concerns, communicate with stakeholders, respond to stakeholder expectations, and disclose CSR- and sustainability-related information. It does not capture direct stakeholder participation in governance decisions, but rather organizational routines and stakeholder-facing CSR and reporting practices that reflect structured stakeholder orientation. Building on these insights and on evidence that CSR strategy can mediate committee effects on sustainability performance (Orazalin 2020), the present study examines whether board-level CSR committees are associated with stakeholder-oriented practices that help transmit governance effects to performance outcomes. In this respect, the study is also complementary to Forcadell et al. (2023), who emphasize that stakeholder scrutiny shapes the credibility and performance relevance of CSR-related signals.

The study examines an unbalanced panel of 7667 firm-year observations from 1621 publicly listed firms across 36 countries over 2010–2021. This period is deliberately bounded to capture a relatively stable institutional environment prior to the recent acceleration of mandatory sustainability reporting. Major regulatory and standard-setting developments after 2021, such as the EU's Corporate Sustainability Reporting Directive (CSRD) and the establishment of ISSB standards, are expected to change firms' disclosure incentives and the comparability of reported sustainability information. Restricting the analysis to 2010–2021 therefore helps isolate governance- and practice-based variation under a predominantly voluntary, or early-institutionalization, reporting regime and avoids conflating CSR committee effects with the structural break introduced by newer mandatory rules (ISSB 2022). The empirical strategy uses a mediation framework to decompose the relationship between CSR committee presence and performance into direct and indirect pathways and complements this analysis with endogeneity-oriented tests.

Findings reveal a clear direct-versus-indirect tension. Controlling for the mediator, CSR committee presence is directly associated with higher ESG performance but lower financial performance. In contrast, CSR committee presence is more strongly associated with stakeholder-oriented CSR strategy and reporting practices, which are in turn positively associated with both financial and ESG outcomes, producing a positive indirect pathway that exceeds the direct pathway in magnitude. These findings indicate that CSR committees pay off less through committee adoption itself than through the stakeholder-oriented practices they appear to help formalize.

This study makes three contributions. First, it helps reconcile mixed evidence on CSR committees and performance by decomposing direct associations from indirect benefits linked to stakeholder-oriented CSR strategy and reporting practices, consistent with stakeholder and legitimacy perspectives. Second, it contributes to the measurement and interpretation of nonfinancial performance by using a controversy-adjusted ESG outcome rather than an unadjusted ESG score, thereby aligning the

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analysis with concerns about disputed or missing information in ESG evaluation (Sahin et al. 2022). Third, it complements existing CSR committee research (e.g., Shin et al. 2021) by examining one plausible pathway through which governance structures may become associated with both financial and sustainability outcomes. More broadly, the study informs board practice and stakeholder accountability debates by showing that CSR committee adoption alone is unlikely to generate value unless it is accompanied by substantive organizational practices that translate governance into measurable outcomes.

The remainder of the manuscript is organized as follows. Section 2 develops the theoretical framework and hypotheses. Section 3 presents the methodology. Section 4 reports the results. Section 5 discusses the findings, implications, and limitations. Section 6 concludes.

2 | Theoretical Framework, Literature, and Hypotheses

2.1 | CSR Committees as Governance Mechanisms: Stakeholder and Legitimacy Logics

CSR committees can be understood as a specific board-level mechanism through which firms organize oversight of sustainability-related issues. Rather than simply adding another governance structure, these committees may shape how boards interpret stakeholder claims, monitor CSR-related risks, and translate sustainability concerns into formal governance processes. Stakeholder theory provides a core rationale for why such committees may matter.

From this perspective, firms create value over the long run by identifying, balancing, and responding to the expectations of stakeholders who can affect, or are affected by, corporate activities (Freeman 1984; Freeman et al. 2010). From a stakeholder-theoretic perspective, CSR committees matter because they can embed stakeholder considerations more explicitly in board deliberation and oversight. Their relevance lies less in direct stakeholder participation than in the board's capacity to recognize salient claims and translate them into policy attention, monitoring priorities, and follow-up action.

In this sense, CSR committees can be understood as board-level mechanisms through which stakeholder-oriented concerns become embedded in governance processes. The argument does not require stakeholders to participate directly in board decisions; rather, it concerns the board's role in formalizing organizational responses to stakeholder-relevant CSR issues. Prior research suggests that boards may promote transparency and accountability by encouraging voluntary CSR disclosure and reporting practices, thereby reinforcing firms' responsiveness to stakeholder demands (Pucheta-Martínez and Gallego-Álvarez 2019). Establishing a CSR committee may therefore signal that stakeholder expectations are taken seriously and that CSR issues are integrated into board-level oversight (Baraibar-Diez and Odriozola 2019). Through these channels, CSR committees may influence strategy and managerial decisions in ways that shape both financial and nonfinancial outcomes (Flammer 2015).

Legitimacy theory offers a complementary but more cautious interpretation. Firms may adopt governance structures such as CSR committees in order to demonstrate conformity with prevailing social norms and institutional expectations, even when internal implementation is limited or only loosely coupled with substantive organizational change (Shocker and Sethi 1973; Deegan 2002; O'Donovan 2002). From this perspective, CSR committees and related reporting practices may function partly as legitimacy devices that help manage stakeholder perceptions and corporate reputation (Kytle et al. 2005; Dyllick and Muff 2016). This logic is consistent with prior work suggesting that some governance structures may be adopted symbolically rather than primarily for effectiveness reasons (Beasley et al. 2009).

If CSR committee activity is largely symbolic, expected performance improvements may fail to materialize and legitimacy may even be undermined when corporate claims are not supported by observable outcomes (Peters and Romi 2015; Forbes and Jermier 2011; Rodrigue et al. 2013). Consistent with this concern, some studies suggest that CSR-related governance and disclosure practices may be associated with impression management, greenwashing, or other forms of symbolic compliance rather than substantive improvements in CSR outcomes (Michelon and Parbonetti 2012; Rupley et al. 2012; Peters et al. 2019; Chams and García-Blandón 2019).

Taken together, stakeholder and legitimacy perspectives suggest that CSR committees may be associated with corporate performance, but that the nature and strength of this association are likely to depend on whether such committees are linked to substantive stakeholder-oriented organizational practices and credible disclosure routines rather than merely formal compliance. From a stakeholder perspective, CSR committees can provide a governance channel through which boards identify salient stakeholder concerns, monitor CSR-related issues more systematically, and encourage organizational routines for stakeholder communication, responsiveness, and reporting. From a legitimacy perspective, CSR committees can also serve as visible structures through which firms demonstrate attentiveness to social expectations and justify their CSR commitments to external audiences. Accordingly, the relevant link in this study is not direct stakeholder participation in board decision-making, but the formalization of board-level oversight that promotes stakeholder-oriented policies, communication, and disclosure practices.

2.2 | CSR Committees and Corporate Performance: Mixed Evidence and Baseline Hypotheses

Prior evidence does not indicate a uniform performance effect of CSR committees. Reported associations vary across contexts and performance dimensions, suggesting that committee presence may matter, but not in a simple or mechanically positive way (e.g., Baraibar-Diez and Odriozola 2019; Birindelli et al. 2018; Biswas et al. 2018; Burke et al. 2019; García-Sánchez et al. 2019; Konadu 2017; Lin et al. 2015; Martínez-Ferrero et al. 2021; Orazalin 2020; Rodrigue et al. 2013; Velte and Stawinoga 2020). The key implication for this study is that committee presence appears theoretically relevant but empirically indeterminate.

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This heterogeneity is consistent with the theoretical ambiguity discussed above. From a stakeholder perspective, CSR committees may strengthen board oversight of CSR-related risks, opportunities, and stakeholder claims, thereby helping firms align strategy, disclosure, and accountability with stakeholder expectations. Through these functions, CSR committees may support stronger organizational legitimacy, improved stakeholder relations, better transparency, and more systematic attention to sustainability issues, all of which may be associated with financial and nonfinancial performance. Prior research also suggests that board-level governance arrangements can shape CSR disclosure and related strategic practices, reinforcing the plausibility of a link between CSR committee presence and corporate performance (Pucheta-Martínez and Gallego-Álvarez 2019; Orazalin 2020).

The empirical ambiguity is also consistent with the legitimacy-based argument developed above: when committee adoption reflects formal conformity more than substantive implementation, performance gains should not be expected to arise mechanically from committee existence alone. This concern is reinforced by the fact that committee presence is only a coarse proxy for governance quality, since committee composition, authority, and activity may shape outcomes in different ways (Elmaghrabi 2021; Velte and Stawinoga 2020). For these reasons, the association between CSR committee presence and corporate performance is theoretically plausible, but its direction is not unambiguous.

Given these theoretical and empirical expectations, this study first tests whether CSR committee presence is associated with corporate performance in general terms before examining the mechanism through which this relationship may operate.

H1a. *The presence of a CSR committee is associated with firms' accounting performance.*

H1b. *The presence of a CSR committee is associated with firms' market performance.*

H1c. *The presence of a CSR committee is associated with firms' nonfinancial performance.*

2.3 | Mechanism: Stakeholder-Oriented CSR Strategy and Reporting Practices

To explain the variation in earlier findings, the study focuses on stakeholder-oriented CSR strategy and reporting practices as a potential mechanism linking committee presence to outcomes. The emphasis is on the organizational routines through which CSR commitments are formalized, communicated, and rendered visible to stakeholders. Accordingly, stakeholder-facing and reporting-related elements are treated here as components of a broader CSR strategic orientation rather than as distinct constructs observed in isolation. This interpretation is consistent with the view that reporting and disclosure are important means through which firms communicate CSR priorities, actions, and performance to stakeholders and structure accountability processes (Hess 2007; Morsing and Schultz 2006; Lozano and Huisingh 2011).

Prior research suggests that stakeholder pressures shape not only firms' CSR priorities but also the organizational systems through which those priorities are articulated and monitored. In this setting, reporting becomes relevant because it externalizes commitments and makes them more assessible to stakeholders (Herremans et al. 2016). CSR reporting may therefore be understood as a governance-relevant communication practice that helps firms address stakeholders' legitimate claims, structure stakeholder management, and reinforce accountability (Fernando and Lawrence 2014; Jain and Jamali 2016; Pucheta-Martínez and Gallego-Álvarez 2019). At the same time, the absence of meaningful CSR disclosure may signal that CSR issues are not strongly embedded in organizational priorities, even when formal governance structures are present.

These stakeholder-oriented practices may also have economic relevance. Prior evidence indicates that CSR-related transparency and stakeholder-oriented conduct can alleviate capital constraints and improve firms' access to resources, suggesting that organizational practices of this kind may constitute an important pathway linking governance and performance (Cheng et al. 2014). In addition, CSR reports can serve as mechanisms through which firms organize internal and external dialogue and communicate their CSR commitments and outcomes, thereby supporting both stakeholder management and nonfinancial performance (Manetti 2011; Friske et al. 2020; Fuente et al. 2017).

CSR committees may facilitate this pathway by formalizing board-level responsibility for CSR oversight and by encouraging more systematic CSR-related policies, communication routines, and reporting practices. In this sense, committees may help institutionalize stakeholder-oriented CSR practices rather than merely signal their existence. Prior evidence suggests that board sustainability committees can be associated with more systematic CSR strategy and disclosure processes, which may in turn be linked to sustainability outcomes (Orazalin 2020). At the same time, legitimacy theory cautions that such practices may also be adopted symbolically. This reinforces the importance of modeling the pathway explicitly rather than assuming that the mere presence of a CSR committee necessarily reflects substantive stakeholder-oriented practices.

Accordingly, we expect CSR committee presence to be positively associated with stakeholder-oriented CSR strategy and reporting practices.

H2. *The presence of a CSR committee is positively associated with stakeholder-oriented CSR strategy and reporting practices.*

2.4 | Indirect (Mediated) Relationships to Performance

If CSR committees encourage more structured stakeholder-oriented practices, their effects may emerge indirectly through those practices rather than directly from committee existence alone. This logic is consistent with process-oriented explanations of how governance structures become associated with organizational outcomes, and mediation analysis provides a useful framework for examining such relationships empirically (Hayes 2022).

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Prior research also supports the plausibility of this indirect pathway. Orazalin (2020), for example, shows that CSR strategy mediates the relationship between board sustainability committees and environmental and social performance. In addition, Yu et al. (2018) show that ESG transparency is positively associated with firm value, consistent with the view that disclosure- and transparency-related practices can reduce information asymmetry and agency costs. Relatedly, prior research also indicates that board-level governance arrangements can encourage CSR disclosure and reporting practices, which strengthens the plausibility of an indirect governance-to-performance pathway (Pucheta-Martínez and Gallego-Álvarez 2019). This indirect pathway is also consistent with the coexistence of stakeholder and legitimacy logics. CSR committees may create coordination, monitoring, or compliance costs that weaken direct financial associations in the short run, while simultaneously fostering stakeholder-oriented practices that support financial and nonfinancial outcomes through improved transparency, stakeholder relations, and legitimacy.

Forcadell et al. (2023) likewise emphasize that the stakeholder environment affects the credibility and performance relevance of CSR-related signals, suggesting that stakeholder-oriented organizational practices can influence whether sustainability-related governance arrangements become economically consequential. The present argument is also related to, but distinct from, recent work on decoupling. For example, Gull et al. (2024) show that sustainability committees are associated with lower environmental decoupling and that lower decoupling is linked to better financial performance. That study highlights the alignment between disclosure and underlying environmental performance. By contrast, the present study examines whether CSR committee presence is associated with performance through a broader cross-country pathway based on stakeholder-oriented CSR strategy and reporting practices and considers both financial and nonfinancial outcomes within one framework.

Accordingly, this study tests whether stakeholder-oriented CSR strategy and reporting practices mediate the relationship between CSR committee presence and corporate performance.

H3a. *Stakeholder-oriented CSR strategy and reporting practices mediate the relationship between CSR committee presence and accounting performance.*

H3b. *Stakeholder-oriented CSR strategy and reporting practices mediate the relationship between CSR committee presence and market performance.*

H3c. *Stakeholder-oriented CSR strategy and reporting practices mediate the relationship between CSR committee presence and nonfinancial performance.*

2.4.1 | Overall Conceptual Model

Taken together, the preceding arguments suggest that CSR committee presence may be associated with corporate performance both directly and indirectly through stakeholder-oriented CSR strategy and reporting practices. Figure 1 summarizes the study's conceptual framework. In this framework, stakeholder-oriented CSR strategy and reporting practices constitute the mediator (M), and corporate performance is the dependent variable (Y). Firm characteristics, board characteristics, and country, industry, and year effects are included as controls.

3 | Methodology

3.1 | Conceptual Model and Empirical Approach

As aforementioned, Figure 1 presents the conceptual mediation framework underlying the study. This section operationalizes that framework by defining the variables, describing the sample, and specifying the empirical models used to estimate the total, direct, and indirect relationships. Mediation is assessed using three regression equations, complemented by heteroskedasticity-consistent standard errors and bias-corrected bootstrap confidence intervals based on 5000 resamples. To assess robustness to endogeneity concerns, the analysis is additionally complemented with instrumental-variables estimation and a simultaneous-equations model.

The analysis proceeds in three steps consistent with standard mediation logic (Hayes 2022). First, corporate performance is regressed on CSR committee presence and controls to estimate the total association. Second, the mediator is regressed on CSR committee presence and controls to assess whether CSR committees are associated with stakeholder-oriented CSR strategy and reporting practices. Third, corporate performance is regressed jointly on CSR committee presence and the mediator to estimate the direct association and the mediated pathway.

3.2 | Variables

3.2.1 | Dependent Variables: Financial and Nonfinancial Performance (*Y*)

The study uses two financial performance measures and one nonfinancial measure. Accounting performance is measured by return on assets (ROA) and market performance is proxied by a Tobin's-Q-type market valuation ratio, measured as market capitalization divided by total assets. Prior research commonly uses both accounting- and market-based outcomes in CSR governance studies (e.g., Appuhami and Tashador 2017; De Villiers and Marques 2016; Hussain et al. 2018; Awaysheh et al. 2020; Yu et al. 2018).

Nonfinancial performance is captured by Refinitiv's ESG Combined score (ESGC), which adjusts overall ESG performance for controversies based on negative events identified from global media sources. According to Refinitiv (2022), the ESGC score incorporates the impact of material controversies by combining the ESG score and the controversies score within each fiscal period, with recent controversies reflected in the latest completed period. ESGC ranges from 0 to 100, with higher values indicating stronger relative ESG performance after accounting for controversies.

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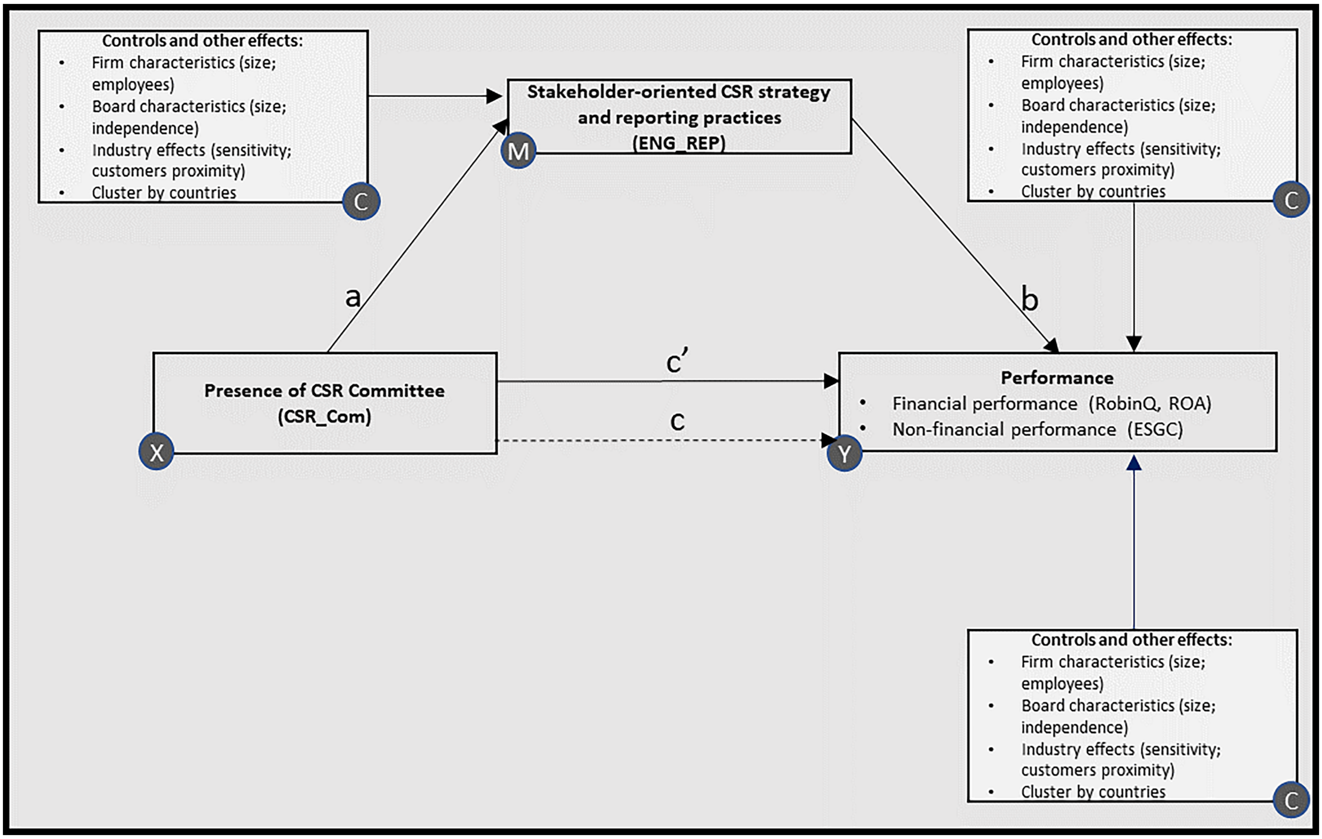

FIGURE 1 | Mediation framework: CSR committee, stakeholder-oriented CSR strategy and reporting practices, and performance. CSR committee presence (CSR_COM) is the independent variable (*X*). Stakeholder-oriented CSR strategy and reporting practices (ENG_REP) are the mediator (*M*). Corporate performance (*Y*) is measured by TobinQ, ROA, and ESGC. The solid arrows represent the mediated pathways (*a* and *b*) and the direct pathway (*c′*). The dashed arrow represents the total association (*c*). Controls and fixed effects are included as indicated.

3.2.2 | Independent Variable: CSR Committee Presence (*X*)

CSR committee presence (CSR_COM) is the key independent variable. CSR_COM equals 1 if a firm has a dedicated CSR/sustainability committee (or an equivalent board-level committee) and 0 otherwise. This approach is consistent with prior CSR committee studies (e.g., Baraibar-Diez and Odriozola 2019; Baraibar-Diez et al. 2019; Birindelli et al. 2018; Burke et al. 2019; Orazalin 2020; Radu and Smaili 2021). The indicator is obtained from the Refinitiv ESG database. As a validation step, corporate governance reports were checked for a random subset of firms to confirm the presence of a CSR/sustainability committee or an analogous function consistent with the definition used in this study.

3.2.3 | Mediator: Stakeholder-Oriented CSR Strategy and Reporting Practices (*M*)

The mediator variable, ENG_REP, captures stakeholder-oriented CSR strategy and reporting practices and is operationalized using Refinitiv's CSR Strategy score.[1] This score is not interpreted as a narrow standalone measure of stakeholder engagement. Instead, it is used as a proxy for a broader set of organizational practices through which firms formalize CSR-related commitments, structure stakeholder-facing communication, and develop sustainability reporting and disclosure routines. This interpretation is consistent with the content of the Refinitiv CSR Strategy score (Refinitiv 2022), which reflects practices such as the integration of financial and extra-financial factors in corporate reporting narratives, participation in CSR-related external initiatives such as the UN Global Compact, disclosure of stakeholder engagement processes, publication of a standalone CSR or sustainability report or equivalent disclosure in the annual report, alignment with reporting frameworks such as GRI, and external assurance of CSR or sustainability disclosures. Taken together, these elements are better understood as reflecting the institutionalization of stakeholder-oriented CSR strategy and reporting practices, rather than direct stakeholder engagement considered in isolation (e.g., as Cheng et al. 2014, linking engagement and transparency to capital constrains). Because the score is disclosure-based, it may partly reflect reporting quality and transparency rather than stakeholder inclusion per se. Documentation from the database states that ESG scores rely on verifiable public-domain information, and that transparency in reporting is a core feature of the methodology.

3.2.4 | Control Variables and Fixed Effects (*C*)

Consistent with prior CSR governance research, the models include controls for firm and board characteristics. Firm size (SIZE) is measured as the natural logarithm of total

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TABLE 1 | Definition of variables.

Variable role	Variable	Definition (measurement)	Refinitiv/Worldscope code
Dependent variables (Y)	ROA	Accounting performance. Return on assets, measured as EBIT/total assets at fiscal year-end (Worldscope fundamentals).	WC08326
	TobinQ	Market capitalization-to-assets (market valuation proxy) at fiscal year-end (Worldscope fundamentals).	WC08001/WC02999
	ESGC	Nonfinancial performance. Refinitiv ESG combined score (overall ESG score adjusted by the ESG controversies overlay).	TRESGCS
Independent variable (X)	CSR_COM	CSR committee presence. Dummy = 1 if the firm has a dedicated CSR/sustainability committee (or equivalent board-level committee), 0 otherwise.	CGVSDP005
Mediator (M)	ENG_REP (stakeholder-oriented CSR strategy and reporting practices; CSR strategy proxy)	CSR strategy score, capturing practices related to stakeholder engagement, communication, and integration of economic, social, and environmental dimensions into decision-making and reporting routines, as publicly communicated by the firm.	TRESGCGVSS
Controls (C)	SIZE	Firm size. Natural logarithm of total assets at fiscal year-end.	WC02999
	LEV	Leverage. Total debt/total assets at fiscal year-end.	WC03255/WC02999
	GROWTH	Sales growth. Percentage growth in net sales/revenues (t vs. $t-1$).	WC08698
	B_SIZE	Board size. Number of directors on the board.	CGBSDP060
	B_IND	Board independence proxy. Indicator/score capturing the degree of board independence (as defined by Refinitiv's governance metric).	CGBSO07V
	B_GEND	Board gender diversity. Percentage of women on the board.	CGBSO19
Fixed effects	Industry FE	Industry fixed effects using Refinitiv Business Classification (TRBC).	TRBC industry dummies
	Country FE	Country fixed effects.	Country dummies
	Year FE	Year fixed effects.	Year dummies

assets; leverage (LEV) is total debt divided by total assets; and growth (GROWTH) is sales growth (e.g., Hussain et al. 2018; Appuhami and Tashador 2017). Board characteristics include board size (B_SIZE; number of directors), board independence (B_IND; Refinitiv governance independence indicator), and board gender diversity (B_GEND; percentage of women directors) (e.g., Eberhardt-Toth 2017; Fernández-Gago et al. 2018; Liao et al. 2015). The regressions additionally include country, industry, and year fixed effects.

Table 1 summarizes the definition and data source for all variables.

3.3 | Baseline Mediation Model

To estimate the direct and mediated relationships, the study estimates the following regressions for firm i in year t. Performance outcomes are examined separately using ROA, the TobinQ proxy (market valuation proxy), and ESGC.

Total Association (path c):

$$\text{PERFORMANCE}_{it} = \alpha_0 + \alpha_1 \text{CSR\_COM}_{it} + \gamma' \text{Controls}_{it} + \lambda_{\text{ind}} + \lambda_{\text{cty}} + \lambda_{\text{yr}} + \varepsilon_{it} \tag{1a}$$

Mediator model (path a):

$$\text{ENG\_REP}_{it} = \beta_0 + \beta_1 \text{CSR\_COM}_{it} + \gamma' \text{Controls}_{it} + \lambda_{\text{ind}} + \lambda_{\text{cty}} + \lambda_{\text{yr}} + u_{it}. \tag{1b}$$

Direct + mediated model (paths c' and b):

$$\text{PERFORMANCE}_{it} = \theta_0 + \theta_1 \text{CSR\_COM}_{it} + \theta_2 \text{ENG\_REP}_{it} + \gamma' \text{Controls}_{it} + \lambda_{\text{ind}} + \lambda_{\text{cty}} + \lambda_{\text{yr}} + \eta_{it}. \tag{1c}$$

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where PERFORMANCE is alternately ROA, the market valuation proxy, and ESGC; Controls include SIZE, LEV, GROWTH, B_SIZE, B_IND, and B_GEND; and $\lambda_{ind}, \lambda_{cty}, \lambda_{yr}$ denote industry, country, and year fixed effects. The indirect effect is computed as $\beta_1 \times \theta_2$, and statistical inference uses heteroskedasticity-consistent standard errors and bias-corrected bootstrap confidence intervals (5000 resamples). The indirect (mediated) effect of CSR_COM on PERFORMANCE through ENG_REP is computed as the product of coefficients $a \times b$, where a is the coefficient on CSR_COM in Equation (1b) and b is the coefficient on ENG_REP in Equation (1c). The direct effect is c' (coefficient on CSR_COM in Equation 1c), and the total effect is c (coefficient on CSR_COM in Equation 1a).

3.4 | Sample Construction

The sample is constructed as follows. First, all publicly listed firms with available Refinitiv ESG data during the study period (2010–2021) are identified. Second, accounting and market variables are retrieved from Refinitiv Worldscope Fundamentals for the same firms and years. Observations with missing data required for estimation are removed. To reduce the influence of outliers, continuous variables are winsorized at the 1st and 99th percentiles.

The final sample is an unbalanced panel of 7667 firm-year observations from 1621 firms across 36 countries. Table 2 reports the sample[2] distribution across industries (Panel A), years (Panel B), and countries (Panel C).

4 | Empirical Results

4.1 | Descriptive Statistics and Univariate Evidence

Table 3 reports descriptive statistics and univariate analyses. Panel A shows substantial variation in nonfinancial performance and in the proposed mediator. ESGC has a mean of 50.91 (SD = 18.91) and ENG_REP has a mean of 46.80 (SD = 30.80), indicating wide dispersion across firms. Financial performance also varies materially: TobinQ has a mean of 1.43 (SD = 1.46) and ROA has a mean of 5.12 (SD = 8.72). CSR committee presence is common in the sample: approximately 65% of firm-year observations correspond to firms with a CSR committee (CSR_COM = 1).

Panel B presents correlations. CSR_COM is negatively correlated with TobinQ and ROA and positively correlated with ESGC and ENG_REP. Panel C compares firms with versus without CSR committees. Firms with CSR committees exhibit higher ENG_REP and ESGC, lower TobinQ, and higher ROA; differences are statistically significant at the 1% level. To explore whether the pattern differs by engagement/reporting intensity, firms are split at the median ENG_REP into "high" and "low" groups. Panel D shows that within both subsamples, firms with CSR committees have higher ENG_REP and ESGC but lower TobinQ and ROA than firms without CSR committees.

TABLE 2 | Sample distribution.

Panel A. Sample distribution by industry

Industry category[a]	N
Academic and educational services	11
Basic materials	660
Consumer cyclicals	1210
Consumer non-cyclicals	490
Energy	396
Financials	1429
Healthcare	463
Industrials	1441
Real estate	481
Technology	807
Utilities	279
Total	7667

Panel B. Sample distribution by years

Year	N
2010	407
2011	300
2012	313
2013	326
2014	349
2015	448
2016	503
2017	613
2018	1117
2019	1566
2020	1436
2021	289
Total	7667

Panel C. Sample distribution by countries

Country	N	Country	N
Australia	3	Italy	306
Austria	131	Luxembourg	82
Azerbaijan	2	Malta	9
Belgium	297	Monaco	8
Bermuda	103	Netherlands	244
Canada	11	Norway	3
Colombia	2	Poland	124
Cyprus	15	Portugal	27
Czech Republic	40	Romania	7
Denmark	253	Singapore	3
Finland	214	Slovenia	4
France	692	South Africa	8
Georgia	5	Spain	417
Germany	932	Sweden	739
Greece	122	Switzerland	52
Hungary	11	United Kingdom	2589
Ireland	158	United Arab Emirates	8
Israel	3	United States	43
Total			7667

[a] These categories follow the Refinitiv Business Classification (TRBC), which was originally developed by the Reuters Group under the name Reuters Business Sector Scheme.

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TABLE 3 | Descriptive.

Panel A. Summary statistics

Variable	Mean	Median	SD	Min	Max
1. TOBINQ	1.43	0.984	1.46	0.009	9.12
2. ROA	5.12	4.78	8.72	−37.5	36.9
3. ESGC	50.91	51.5	18.9	0.34	94.6
4. CSR_COM	0.65	1.00	0.48	0	1.00
5. ENG_REP	46.8	47.2	30.8	0	99.9
6. SIZE	15.2	15.0	1.87	9.52	20.3
7. GROWTH	8.23	4.01	35.7	−61.7	300.7
8. LEV	3.16	1.40	5.66	−6.98	35.0
9. B_IND	56.9	57.1	23.9	0	100
10. B_SIZE	10.0	9.00	3.89	1.00	30.0
11. B_GEND	14.3	12.5	14.5	0	100

Panel B. Correlations

	1	2	3	4	5	6	7	8	9	10
1. TOBINQ	1									
2. ROA	0.364**	1								
3. ESGC	−0.073**	0.008	1							
4. CSR_COM	−0.107**	−0.032**	0.546**	1						
5. ENG_REP	−0.122**	−0,008	0.650**	0.659**	1					
6. SIZE	−0.431**	−0.111**	0.422**	0.349**	0.447**	1				
7. GROWTH	0.100**	0.141**	−0.120**	−0.105**	−0.125**	−0.083**	1			
8. LEV	−0.236**	−0.162**	0.079**	0.088**	0.115**	0.477**	−0.064**	1		
9. B_IND	0.022**	0.039**	0.150**	0.035**	0.080**	0.053**	0.029*	−0.047**	1	
10. B_SIZE	−0.205**	−0.086**	0.320**	0.283**	0.306**	0.570**	−0.103**	0.214**	−0.248**	1
11. B_GEND	0.012	0.005	0.037**	0.016	−0.004	−0.011	−0.019	−0.027*	0.035**	−0.038**

Panel C. Differences between companies with and without a CSR committee on the boards

	With CSR committee	Without CSR committee		
ALL	**Mean (1)**	**Mean (2)**	**Diff. (2) − (1)**	***p***
TOBINQ	1.313	1.641	0.328	0.000
ROA	5.506	4.919	0.587	0.000
ESGC	58.471	36.815	−21.656	0.000
ENG_REP	61.677	19.076	−42.601	0.000

Panel D. Comparison of groups with and without a CSR committee, split by high and low level of ENG_REP

	With CSR committee	Without CSR committee		
	Mean (1)	**Mean (2)**	**Diff. (2) − (1)**	***p***
HIGH ENG_REP				
TOBINQ	1.274	1.411	0.137	0.000
ROA	4.967	5.982	1.015	0.000
ESGC	61.979	52.852	−9.126	0.000
ENG_REP	74.41	60.635	−13.778	0.000
LOW ENG_REP				
TOBINQ	1.411	1.671	0.260	0.000
ROA	4.799	5.443	0.643	0.000
ESGC	49.648	34.685	−14.962	0.000
ENG_REP	29.636	13.555	−16.081	0.000

Note: See Table 1 for variable definitions. Spearman correlation for CSR_COM and Pearson for all the other variables. **, * Correlation is significant at the 0.01, and 0.05, level (2-tailed), respectively.

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4.2 | Mediation Model Results: Total, Direct, and Indirect Pathways

Table 4 reports the baseline mediation results. Panel A presents the regression specifications with heteroskedasticity-robust standard errors. Columns C2, C4, and C6 correspond to the total association between CSR committee presence and performance (Equation 1a). CSR_COM is positively associated with TobinQ ($\alpha_1 = 0.061$, $p < 0.05$) and ESGC ($\alpha_1 = 15.013$, $p < 0.001$), while the association with ROA is positive but not statistically significant ($\alpha_1 = 0.206$, $p > 0.05$). As a sensitivity check for the total associations in Panel A, we also computed 95% bootstrap confidence intervals based on 5000 resamples (not tabulated), which confirm statistical significance for TobinQ and ESGC. These results are consistent with CSR committee studies reporting positive associations with CSR-related outcomes in country-specific and cross-country settings (e.g., Konadu 2017; Orazalin 2020; Burke et al. 2019; Lin et al. 2015; Biswas et al. 2018; Birindelli et al. 2018; Baraibar-Diez and Odriozola 2019).

Mediation analysis requires estimating (i) the association between CSR_COM and the mediator ENG_REP (path a) and

TABLE 4 | Mediation model (heteroskedasticity-robust SEs).

Panel A: Regression results

	ENG_REP (M)	Performance (Y) = TobinQ		Performance (Y) = ROA		Performance (Y) = ESGC	
	(C1)	(C2)	(C3)	(C4)	(C5)	(C6)	(C7)
	Model (1b)	Model (1a)	Model (1c)	Model (1a)	Model (1c)	Model (1a)	Model (1c)
	β	α	θ	α	θ	α	θ
Constant	−57.946***	5.376***	5.620***	9.956***	11.911***	−33.196***	−18.826***
CSR_COM	33.444***	0.061**	−0.080**	0.206	−0.922***	15.013***	6.719***
ENG_REP			0.004***		0.037***		0.248***
Controls							
SIZE	5.221***	−0.308***	−0.329***	−0.176	−0.351**	3.311***	2.016***
LEV	−1223**	0.003	0.003	−0.209***	−0.204***	−0.135***	−0.105***
GROWTH	−0.025***	0.003***	0.003***	0.028***	0.029***	−0.020***	−0.0142***
B_IND	0.063***	0.005***	0.003***	0.013***	0.011**	0.116***	0.101***
B_SIZE	0.141**	0.018***	0.012***	−0.1294***	−0.134***	0.491***	0.455***
B_GEND	−0.075*	−0.001	0.000	0.112*	0.014**	0.009	0.027***
Country effects	Included	Included	Included	Included	Included	Included	Included
Industry effects	Included	Included	Included	Included	Included	Included	Included
Year effects	Included	Included	Included	Included	Included	Included	Included
Observ.	7667	7667	7667	7667	7667	7667	7667
R^2	0.541	0.281	0.284	0.094	0.101	0.441	0.516

Panel B. Direct and indirect effects (bias-corrected bootstrap, 5000 resamples)

	Performance (Y) = TobinQ			Performance (Y) = ROA			Performance (Y) = ESGC		
	Coef.	95% LLCI	95% ULCI	Coef.	95% LLCI	95% ULCI	Coef.	95% LLCI	95% ULCI
Direct effect: CSR_COM→ Performance	−0.080	−0.1592	−0.0003	−0.922	−1.4551	−0.3889	6.719	5.8716	7.5679
Indirect (mediating) effect: CSR_COM→ ENG_REP→ Performance	0.141	0.0990	0.1842	1.128	0.8360	1.4265	8.296	7.7257	8.8591

Note: See Table 1 for variable definitions. Panel A reports OLS mediation regressions with heteroskedasticity-robust standard errors. Model (1a) estimates the total association between CSR_COM and PERFORMANCE; Model (1b) estimates the association between CSR_COM and ENG_REP; Model (1c) estimates PERFORMANCE on CSR_COM and ENG_REP jointly. PERFORMANCE is measured separately as TobinQ (market capitalization-to-assets proxy), ROA, and ESGC. All continuous variables are winsorized at the 1st and 99th percentiles. Country, industry, and year fixed effects are included in all specifications. Panel B reports direct and indirect effects with 95% bias-corrected bootstrap confidence intervals based on 5000 resamples (Hayes PROCESS); effects are statistically significant when the confidence interval does not include zero. See Table 1 for variable definitions. *, **, and *** denote significance at the 10%, 5%, and 1% levels (two-tailed tests).

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(ii) the association between ENG_REP and the outcomes controlling for CSR_COM (path b), along with inference on the indirect effect (Hayes 2012, 2022). Column C1 shows that CSR committee presence is strongly positively associated with ENG_REP ($\beta_1 = 33.444$, $p < 0.001$), supporting H2.

Columns C3, C5, and C7 report the direct + mediated specifications (Equation 1c). ENG_REP is positively associated with all outcomes: TobinQ ($\theta_2 = 0.004$, $p < 0.001$), ROA ($\theta_2 = 0.037$, $p < 0.001$), and ESGC ($\theta_2 = 0.248$, $p < 0.001$). Importantly, once ENG_REP is included, the coefficient on CSR_COM changes in a way that reveals the paper's central "direct vs indirect tension." CSR_COM remains positively associated with ESGC ($\theta_1 = 6.719$, $p < 0.001$), but becomes negatively associated with financial performance: TobinQ ($\theta_1 = -0.080$, $p < 0.05$) and ROA ($\theta_1 = -0.922$, $p < 0.001$). This pattern underscores that estimates that do not isolate the engagement/reporting pathway can mask offsetting mechanisms and contribute to mixed evidence across studies.

Panel B of Table 4 reports direct and indirect effects with 95% bias-corrected bootstrap confidence intervals (5000 resamples), consistent with recommended practice for mediation inference (Hayes 2022). Effects are considered statistically significant when the confidence interval does not include zero. The results indicate that the total association of CSR_COM with each performance metric can be decomposed into (i) a direct component that is negative for financial performance and positive for ESGC, and (ii) a positive indirect component through ENG_REP that is statistically significant for financial and nonfinancial performance. In all cases, the absolute magnitude of the indirect effect exceeds the direct effect, implying that CSR committees pay off not by their mere existence, but by fostering stakeholder-oriented practices that become embedded in organizational routines.

In Table 4, Column C1 provides a; Columns C3/C5/C7 provide b and c' for TobinQ/ROA/ESGC; and Columns C2/C4/C6 provide c (total effect). Figure 2 visualizes the decomposition of total effects into direct and indirect components for TobinQ (Panel A), ROA (Panel B), and ESGC (Panel C), by plotting c, c', and $a \times b$ for each outcome, with 95% bias-corrected bootstrap confidence intervals for c' and $a \times b$ as reported in Table 4 (Panel B).

4.3 | Endogeneity-Oriented Analyses: Instrumental Variables and Simultaneous Equations

To assess robustness to endogeneity concerns, the baseline results are complemented with instrumental-variables estimation (e.g., Eugster 2020) and a simultaneous-equations model (e.g., Abdallah et al. 2015). The instrumental-variable strategy follows the logic in Cheng et al. (2014) by exploiting peer influences within country–industry contexts. Two instruments are constructed: the country–industry–year mean of CSR_COM and the country–industry–year mean of ENG_REP. Each instrument is lagged and used in the first-stage specifications. The intuition is that sustainability governance and engagement/reporting practices diffuse within peer groups operating under similar institutional and competitive conditions, while a focal firm's performance is less likely to directly determine lagged peer-group committee adoption and engagement/reporting intensity once controls and fixed effects are included.

Table 5 reports the 2SLS estimates. Columns C2–C4 present second-stage results for TobinQ, ROA, and ESGC respectively. ENG_REP is positively associated with market valuation (TobinQ) and nonfinancial performance (ESGC), and is also positively related to ROA. CSR committee presence (CSR_COM) is negative but not statistically significant for TobinQ, positive but not statistically significant for ROA, and positive and statistically significant for ESGC. First-stage coefficient estimates are not tabulated in Column C1 because the estimation output produced by the software reports the second stage and diagnostics; however, Hausman and Sargan tests are reported in the table notes. The diagnostics indicate that OLS estimates are not statistically distinguishable from IV for TobinQ and ESGC (Hausman p-values > 0.10) and do not reject the validity of the overidentifying restrictions for these outcomes (Sargan p-values > 0.10). For ROA, the Hausman test suggests OLS inconsistency, but the Sargan test

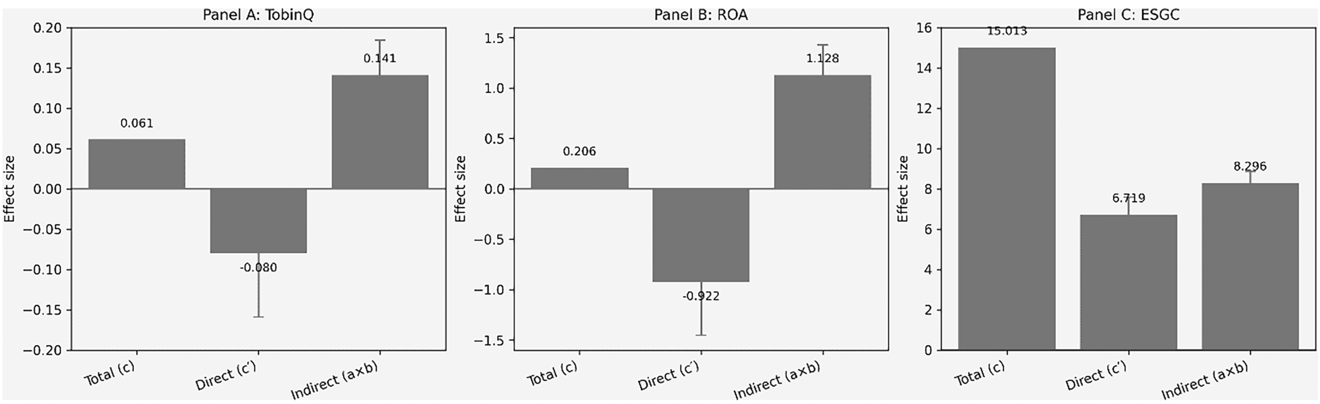

FIGURE 2 | Decomposition of CSR committee–performance associations into total (c), direct (c'), and indirect ($a \times b$) effects through stakeholder-oriented CSR strategy and reporting practices (ENG_REP). Total effects (c) correspond to Table 4 (Panel A) (Equation 1a). Direct effects (c') and indirect effects ($a \times b$) correspond to Table 4 (Panel B); indirect effects are computed as $a \times b$, where a is from Equation (1b) and b is from Equation (1c). Error bars show 95% bias-corrected bootstrap confidence intervals for direct and indirect effects (5000 resamples).

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TABLE 5 | Endogeneity-oriented analyses: 2SLS and simultaneous equations.

	2SLS (firm-clustered SEs)				Simultaneous equations				
		Second stage			Bidirectional equations		Performance Equations		
	First-stage specification	(Y) = TobinQ	(Y) = ROA	(Y) = ESGC	ENG_REP	CSR_COM	(Y) = TobinQ	(Y) = ROA	(Y) = ESGC
	(C1)	(C2)	(C3)	(C4)	(C5)	(C6)	(C7)	(C8)	(C9)
Const		5.521***	24.451***	−4.102	−78.458***	1.081***	4.286***	12.082***	−39.245***
		(0.924)	(5.550)	−10.453	(11.554)	(0.233)	(0.674)	(4.574)	(8.268)
CSR_COM		−0.422	3.025	11.086***	39.694***				
		(0.268)	(1.899)	(3.408)	(2.921)				
ENG_REP		0.015***	0.088*	0.198**		0.017***			
		(0.005)	(0.046)	(0.078)		(0.001)			
Country industry mean for CSR_COM (first instrument for CSR_COM)	Included						−0.172 (0.200)	3.534*** (1.358)	13.865*** (2.433)
Country industry mean for ENG_REP (first instrument for ENG_REP)	Included						0.009** (0.004)	0.030* (0.027)	0.044* (0.045)
Lag of country industry mean for CSR_COM (second instrument for CSR_COM)	Included								
Lag of country industry mean for ENG_REP (second instrument for ENG_REP)	Included								
Controls									
SIZE	Included	−0.385***	−1.161**	1.542*	5.456***	−0.058***	−0.308***	−0.098	4.731***
		(0.062)	(0.473)	(0.811)	(0.035)	(0.012)	(0.011)	(0.077)	(0.141)
LEV	Included	0.001	−0.194***	−0.086	−0.194	0.003	0.000	−0.221***	−0.160***
		(0.006)	(0.040)	(0.064)	(0.051)	(0.000)	(0.003)	(0.021)	(0.038)
GROWTH	Included	0.004***	0.037***	−0.011*	−0.022	0.001	0.002***	0.027***	−0.027***
		(0.000)	(0.007)	(0.006)	(0.007)	(0.000)	(0.000)	(0.003)	(0.005)
B_IND	Included	0.003*	5.748	0.113***	0.001	0.000	0.003***	0.009	0.136***
		(0.001)	(0.008)	(0.015)	(0.012)	(0.000)	(0.000)	(0.005)	(0.009)
B_SIZE	Included	0.001	−0.236***	0.186	0.596	−0.005***	0.027***	−0.098***	0.585***
		(0.001)	(0.083)	(0.146)	(0.094)	(0.002)	(0.005)	(0.035)	(0.064)
B_GEND	Included	−0.177	0.119	0.020	−0.062	0.001***	0.000	0.013*	0.011
		(0.626)	(0.012)	(0.019)	(0.017)	(0.000)	(0.000)	(0.007)	(0.012)
Country FE	Included	Included	Included	Included	Included	Included	Included	Included	Included
Industry FE	Included	Included	Included	Included	Included	Included	Included	Included	Included
Year FE	Included	Included	Included	Included	Included	Included	Included	Included	Included
Observ.	6639	6639	6639	6639	7667	7667	7667	7667	7667
R^2		0.277	0.07	0.508	0.583	0.462	0.303	0.462	0.363

Note: See Table 1 for variable definitions. Columns (C1–C4) report two-stage least squares (2SLS) estimates using country–industry peer means and their lags as instruments for CSR_COM and ENG_REP. First-stage coefficient estimates are not reported by the software output and are therefore not tabulated; see text for instrument construction. Standard errors are clustered at the firm level. Columns (C5–C9) report simultaneous-equations estimates capturing the bidirectional relationship between CSR_COM and ENG_REP and their association with performance (TobinQ proxy, ROA, ESGC), using the same instrument set and fixed effects. All models include the control variables in Table 1 and country, industry, and year fixed effects. *, **, and *** denote significance at the 10%, 5%, and 1% levels (two-tailed tests). Diagnostics (2SLS): TobinQ → Hausman $\chi^2(2) = 3.879$ ($p = 0.144$); Sargan LM = 1.322 ($p = 0.516$). ROA → Hausman $\chi^2(2) = 16.790$ ($p < 0.001$); Sargan LM = 6.855 ($p = 0.032$). ESGC → Hausman $\chi^2(2) = 4.452$ ($p = 0.108$); Sargan LM = 4.318 ($p = 0.115$). The diagnostics are supportive for TobinQ and ESGC; for ROA, the overidentifying restrictions are rejected and results are interpreted cautiously.

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rejects the validity of the overidentifying restrictions at the 5% level; therefore, the ROA 2SLS estimates are treated as sensitivity evidence and interpreted cautiously.

Because CSR committee adoption and engagement/reporting practices may also influence each other (reverse causality), a simultaneous-equations model is estimated (Table 5, Columns C5–C9). Columns C5 and C6 report the bidirectional relationships between CSR_COM and ENG_REP, while Columns C7–C9 report performance equations for TobinQ, ROA, and ESGC using the same instrument set and controls. The results indicate a two-way relationship: CSR_COM is positively associated with ENG_REP (C5: coef = 39.694; $p < 0.001$), and higher ENG_REP is associated with a higher likelihood of CSR committee presence (C6: coef = 0.017; $p < 0.001$). The country–industry mean instruments exhibit the expected signs in the performance equations but lower statistical significance. Overall, these endogeneity-oriented analyses are consistent with the mechanism-based interpretation that CSR committees are linked to performance primarily through the engagement/reporting channel, while direct associations, especially with financial performance, can be negative once the mediator is accounted for.

5 | Discussion

The results indicate that CSR committees are associated with corporate performance through two offsetting channels. On the one hand, committee presence is linked to stronger controversy-adjusted ESG outcomes. On the other, once stakeholder-oriented CSR strategy and reporting practices are modeled explicitly, the remaining direct association with financial performance is negative while the indirect pathway through those practices is positive and economically stronger.

5.1 | Interpreting the Direct–Indirect Tension

The findings help reconcile mixed evidence in the CSR committee literature. Consistent with prior studies, the presence of CSR committees is associated with stronger nonfinancial performance (e.g., Baraibar-Diez and Odriozola 2019; Hussain et al. 2018). However, by explicitly decomposing the relationship into direct and mediated pathways, the results show why committee presence can appear beneficial in reduced-form models while becoming negative for financial outcomes once the engagement/reporting channel is accounted for.

The positive indirect pathway is consistent with stakeholder theory insofar as it suggests that board-level oversight becomes economically relevant when it is translated into organizational practices visible to stakeholders. Rather than supporting a simple "more governance is always better" interpretation, the results point to a more conditional mechanism: stakeholder-oriented practices appear to be the channel through which board attention to CSR is converted into performance consequences. Prior evidence indicates that engagement and transparency can alleviate capital constraints and improve access to resources, which provides a plausible economic rationale for a positive engagement/reporting-to-performance link (Cheng et al. 2014). In addition, CSR reporting has been conceptualized as an intervening mechanism linking stakeholder engagement to CSR outcomes and stakeholder management effectiveness (Manetti 2011; Friske et al. 2020). In this sense, CSR committees "pay off" not simply by existing, but by fostering organizational capabilities and routines that strengthen engagement and reporting.

The positive indirect effect through engagement/reporting practices is also consistent with the view that stakeholder-facing CSR signals become performance-relevant when they are credible and embedded in repeated firm–stakeholder interactions. In this respect, the findings complement Forcadell et al. (2023), who show that stakeholder scrutiny enhances the credibility of CSR signals and strengthens their influence on financial performance.

The negative direct association with financial performance is also compatible with a legitimacy-based reading. CSR committees can introduce coordination costs, additional monitoring demands, and compliance investments that may depress short-run accounting or market outcomes even when they improve ESG outcomes. Moreover, committee adoption can be motivated by symbolic legitimacy-seeking, where formal structures are only loosely coupled with substantive monitoring and performance improvements (Shocker and Sethi 1973; Deegan 2002; O'Donovan 2002; Beasley et al. 2009). This perspective is consistent with research arguing that CSR governance and disclosure can be used strategically to manage external impressions and that decoupling between disclosed and actual sustainability performance is a real risk (Michelon and Parbonetti 2012; Rupley et al. 2012; Peters et al. 2019; Chams and García-Blandón 2019). Recent evidence that sustainability committees relate to environmental decoupling dynamics further reinforces why separating direct and mediated pathways is theoretically warranted (Gull et al. 2024).

Importantly, the present findings do not imply that CSR committees are purely symbolic. Rather, they suggest that CSR committees can have dual implications: they may be costly in direct financial terms while simultaneously enabling engagement/reporting capabilities that generate broader benefits. This helps explain why the overall association may appear favorable in some settings even though the direct financial association is negative once the mechanism is explicitly modeled.

5.2 | Contributions to Research

The study adds to CSR governance research by clarifying that the association between CSR committees and firm outcomes is process-dependent rather than purely structural. Prior work has largely estimated reduced-form relationships between CSR committee presence and CSR or sustainability outcomes, often in single-country settings or with heterogeneous proxies (e.g., Konadu 2017; Lin et al. 2015; Burke et al. 2019; Birindelli et al. 2018; Biswas et al. 2018; Baraibar-Diez and Odriozola 2019). By examining stakeholder-oriented CSR strategy and reporting practices as a mediator, this study helps clarify why evidence on CSR committees and performance may appear mixed across studies and outcomes. In this respect, the paper complements recent work that treats CSR committees primarily as moderators of other relationships, such as Bifulco et al. (2023), by focusing instead

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on an intervening pathway through which CSR committee presence may become associated with financial and nonfinancial performance. The results suggest that committee presence becomes performance-relevant when it is linked to stakeholder-oriented CSR strategy and reporting practices. This helps explain why prior evidence has appeared mixed and why formal governance adoption alone may not be a sufficient indicator of effectiveness.

The findings also complement emerging evidence that CSR-related strategic and reporting practices may help explain how sustainability-oriented board structures relate to firm outcomes (Orazalin 2020). The present study differs by adopting a multicountry design, considering both financial and controversy-adjusted ESG outcomes within a single framework, and showing that the indirect pathway is stronger in magnitude than the direct pathway. The study is also complementary to Gull et al. (2024), who examine sustainability committees and environmental decoupling as a disclosure-performance alignment issue. Whereas Gull et al. (2024) focus on the reduction of misalignment between environmental reporting and environmental performance, the present study considers a broader pathway based on stakeholder-oriented CSR strategy and reporting practices and relates it to both financial and nonfinancial outcomes.

Furthermore, the analysis adds to work showing that CSR committee effectiveness is unlikely to be uniform across firms and contexts (Elmaghrabi 2021). Although the present study uses CSR committee presence as the governance indicator consistently available across countries, the findings suggest that committee existence alone is unlikely to explain performance differences. Rather, the results are more consistent with the view that CSR committees are associated with stronger outcomes when they are accompanied by substantive stakeholder-oriented CSR strategy and reporting practices. In this sense, the study points to the importance of looking beyond formal CSR committee adoption and toward the organizational practices through which CSR governance may become performance-relevant. Taken together with Forcadell et al. (2023), the findings suggest that both external stakeholder scrutiny and internal governance arrangements can shape whether sustainability-related commitments translate into meaningful outcomes.

5.3 | Practical and Policy Implications

For boards and senior management, the results imply that creating a CSR committee is unlikely to generate value by itself, but from what it organizes. Benefits arise primarily when committees catalyze substantive stakeholder engagement and credible reporting routines, such as two-way stakeholder communication, consistent sustainability disclosure, and governance processes that integrate financial and extra-financial considerations into strategy. This implication is consistent with the view that sustainability reporting is a strategic decision influenced by stakeholders and that disclosure practices shape stakeholder perceptions and resource access (Goettsche et al. 2016; Cheng et al. 2014). From an accountability perspective, committees should therefore be evaluated by the practices they institutionalize rather than by their mere presence.

For regulators and standard-setters, the findings are timely given the institutionalization of sustainability reporting (e.g., ISSB 2022; EU sustainability reporting developments). The results suggest that standards and reporting regimes that enhance the credibility and usability of engagement- and reporting-related disclosures may strengthen the performance relevance of sustainability governance. At the same time, the possibility of symbolic adoption and decoupling reinforces the importance of assurance, comparability, and mechanisms that reduce greenwashing risks.

5.4 | Robustness and Cautious Interpretation

Endogeneity-oriented analyses (2SLS and simultaneous equations) are broadly consistent with the mechanism-based interpretation, particularly for TobinQ and ESGC, where diagnostic tests do not reject instrument validity. For ROA, the overidentifying restrictions are rejected, and the IV results are therefore treated as sensitivity evidence rather than definitive identification. Taken together, the robustness analyses support the central conclusion that CSR committees relate to performance primarily through engagement/reporting practices, while direct associations with financial outcomes can be negative once the mediator is accounted for.

5.5 | Limitations and Future Research

This study has limitations that also motivate future research.

First, the nonfinancial outcome measure (ESGC) aggregates environmental, social, and governance dimensions and adjusts for controversies. Future research could examine whether the documented mechanism differs across the E, S, and G pillars and whether controversy dynamics affect market valuation and profitability differently.

Second, future research should unpack the present mediator into narrower components, especially direct stakeholder engagement, disclosure quality, and CSR strategic integration, to determine which element primarily drives the indirect pathway.

Third, CSR committee presence is necessarily a coarse governance indicator. Future work should examine CSR committee composition, expertise, meeting intensity, and mandate design to identify which CSR committee attributes most effectively translate governance into engagement/reporting routines and performance outcomes (Elmaghrabi 2021).

Fourth, the evidence is specific to the 2010–2021 period, which precedes the recent expansion of mandatory sustainability reporting regimes. As reporting becomes more standardized and less discretionary, the governance-to-practice pathway may change in magnitude or form. Future research should therefore test whether the direct and mediated relationships documented here persist, or are reshaped, under post-2021 mandatory reporting environments (e.g., CSRD and ISSB-aligned disclosure regimes).

Finally, because the study is cross-country and multi-industry, financial firms are retained and industry fixed effects absorb sectoral heterogeneity; future research could examine whether the

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governance–performance pathway differs between financial and nonfinancial sectors, especially given evidence that sustainability committees may play a distinct role in financial-sector outcomes (Orazalin et al. 2024).

6 | Conclusion

This study shows that the relationship between CSR committees and corporate performance is more conditional than a simple reduced-form association would suggest. Across the cross-country sample, CSR committee presence is linked to stronger performance primarily when it is accompanied by stakeholder-oriented CSR strategy and reporting practices. These practices appear to be the channel through which board-level CSR oversight becomes associated with both financial and nonfinancial outcomes, whereas committee existence alone does not reliably imply value creation and may even be associated with negative direct financial effects once the mechanism is modeled explicitly.

The findings therefore contribute to CSR governance research by shifting attention from formal committee adoption to the organizational practices that make such structures consequential. They also suggest that, in the largely pre-mandatory reporting environment studied here, the effectiveness of CSR committees depended less on symbolic governance design than on whether those committees helped institutionalize credible stakeholder-facing routines. As sustainability reporting regimes continue to tighten, understanding how governance structures translate into substantive organizational practice will remain central to research and policy.

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Endnotes

[1] The definition of this score includes whether the company publicly states that sustainability/CSR is part of corporate strategy, whether ESG/CSR considerations are integrated into management processes and business decisions, whether there are formal governance structures, policies, or oversight around CSR/sustainability strategy, and whether the company communicates this integration in public reporting. A higher CSR Strategy Score means the company is assessed as doing a better job, relative to peers, of showing that CSR is embedded in corporate strategy and governance. A lower score means weaker evidence of that strategic integration or weaker disclosure about it and can reflect either genuinely weak practices or limited disclosure.

[2] Financial firms are included to preserve external validity in a cross-country setting and because CSR governance structures and sustainability reporting practices are economically meaningful in the financial sector as well. Industry fixed effects (and country and year fixed effects), are included to address systematic differences across industries which absorb time-invariant industry-level heterogeneity and common shocks. This approach follows standard guidance on controlling for unobserved heterogeneity in panel regressions (e.g., Gormley and Matsa 2014) and is consistent with common practice in empirical corporate finance specifications that rely on fixed effects to capture sectoral differences (e.g., Mitton 2022). The relatively small number of some countries, namely, U.S. firm-year observations reflects the composition of the final matched dataset obtained from Refinitiv ESG and Worldscope after applying the study's variable requirements and removing observations with missing data needed for estimation; it does not result from a country-specific exclusion criterion.

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