

THESE DE DOCTORAT DE

L'UNIVERSITE DE RENNES 1
COMUE UNIVERSITE BRETAGNE LOIRE

ECOLE DOCTORALE N° 597
Sciences Economiques et Sciences De Gestion
Spécialité : « Sciences de Gestion »

Par

Lan Phuong NGUYEN

Three essays about the consequences of corporate social responsibility disclosure

Thèse présentée et soutenue à Rennes, le 3 juin 2019

Unité de recherche : CREM (URM 6211)

Rapporteurs avant soutenance :

Florence Depoers, Professeur à l'Université Paris Nanterre

Isabelle Martinez, Professeur à l'Université de Toulouse 3

Florence Depoers, Professeur à l'Université Paris Nanterre

Michel Magnan, Professeur à Concordia

Isabelle Martinez, Professeur à l'Université de Toulouse

Lionel Touchais, Professeur à l'Université Paris Nanterre,
Directeur de thèse

Jean-Laurent Viviani, Professeur à l'Université de
Rennes 1, Directeur de thèse

ACKNOWLEDGEMENT

At this moment of accomplishment, it's my pleasure to acknowledgement and thank to those who made this thesis possible!

First of all, I would like to deliver a deep sense of gratitude to my respectful supervisors, **Professor VIVIVANI Jean-Laurent** and **Professor TOUCHAIS Lionel**, who have spent a lot of time, concern, and tolerance to guide me during more than three year of being their PhD student. Their wise knowledge and enthusiasm indeed inspire and motivate me to complete this work and keep trying every day. They always give me a hand to overcome difficulties in both work and my own life. They never give up on me even when I thought I could not do it. I'm truly indebted to them. Professors, thank you so much for always being patience with me.

I sincerely thank to the committee members: **Professor Florence Depoers** and **Professor Iasabelle Martinez** for accepting to be the rapporteurs of my thesis. My sincere thanks also go to **Professor Michel Magnan** for giving many valuable advices to improve this thesis.

My gratefulness goes to all members and staff of **EDGE**, **IGR** and **CREM**, who are always willing to help me. Many thanks to PhD students, researchers, and professors at IGR and CREM for their remarks and suggestions at CREM and IGR seminars, workshops.

I highly appreciate friends who have walked alongside with me for the last three years. Without them, this thesis would not have been possible. To **Celine Vo** and **Hoa Nguyen** – who were my lovely neighborhoods; **Hong Hanh** – who introduced to me about school and life in Rennes at a very beginning; **Hoang Sang** - who was willing to be a French translator in the first days, truly thank to his lovely wife, **Ngan Nguyen**, for being delicious food; **Nissreen, Youcef** – who always give me many warm hugs, talks and laughing; two couples: **Minh Khue, Kien Nguyen** and **Tien Tuan, Lan Phuong** – who cared and helped me a lot during the period of my pregnancy, your help is extremely precious to me; and **other friends who shared great time with me.**

I also want to deliver my special acknowledge to Campus France in Vietnam and Paris, the Vietnam International Education Development (VIED), who financed and managed my scholarships to study in France. My special gratitude goes to the Board of Directors and the

Faculty of Accounting of Danang University of Economics who support and facilitate for me to study in France.

Finally, I send all my love and heartfelt thanks to my family who are always behind me whenever I need, whatever I do and whoever I am. Last but not least, to my husband – ***Chau Van Tu*** – a 14-year close friend and partner, thank you for your trust, endurance, and sacrifice. I cannot finish this work without you. To my son, you are a surprising gift that will end my PhD life perfectly, thank you for coming to mom and dad. I love you.

NGUYEN LAN PHUONG

CONTENTS

ACKNOWLEDGEMENT.....	i
CONTENTS	iv
LIST OF TABLES	viii
LIST OF FIGURES.....	ix
APPENDIX	ix
ABBREVIATIONS.....	x
PREFACE	1
PRÉFACE	3
CHAPTER 1.....	7
INTRODUCTION.....	7
1.1 Corporate social responsibility disclosure.....	8
1.1.1 What is CSR disclosure?.....	8
1.1.2 Historical trend, practices and regulations.....	11
1.2 Firm performance	13
1.2.1 Financial performance.....	14
1.2.2 Non-financial performance	15
1.2.3 Information quality	20
1.2.4 The linkage between corporate disclosure and firm performance in business	21
1.3 Theoretical framework in CSR study	23
1.3.1 Legitimacy theory	23
1.3.2 Stakeholder theory	24
1.3.3 Shareholder theory	25
1.3.4 Institutional theory	26
1.3.5 Agency theory	27
1.3.6 Signaling theory	27

1.3.7	Contingency approach.....	28
1.4	The link between CSR disclosure and Firm performance	30
1.5	Announce and presentation of the chapters	33
CHAPTER 2.....		37
CSR DISCLOSURE AND CSR PERFORMANCE: A STUDY OF NONFINANCIAL PERFORMANCE MEASURE		37
2.1	Introduction.....	38
2.2	Literature review and Hypotheses development.....	41
2.2.1	Corporate social responsibility disclosure.....	41
2.2.2	CSR performance – a measure of nonfinancial performance	42
2.2.2.1	Concept and measurement.....	43
2.2.2.2	The link between CSP and nonfinancial performance measures	45
2.2.3	The relationship between CSR disclosure and CSR performance.....	46
2.3	Sample, variables, and models.....	51
2.3.1	Sample and data	51
2.3.2	Variables	51
2.3.2.1	Corporate social responsibility performance (CSP).....	51
2.3.2.2	CSR disclosure	53
2.3.2.3	Control variables	54
2.3.3	Models	55
2.4	Results.....	56
2.4.1	Summary statistics	56
2.4.2	Graphing results.....	58
2.4.3	Empirical results	59
2.5	Additional analyses.....	60
2.5.1	The Dumitrescu and Hurlin (2012) test for Granger causality	61
2.5.2	Multi-dimensionality of CSR disclosure and CSR performance.....	63
2.5.3	Crisis time	65
2.6	Conclusion	66

CHAPTER 3.....	72
CSR DISCLOSURE, CORPORATE GOVERNANCE QUALITY, AND FINANCIAL PERFORMANCE	72
3.1 Introduction.....	73
3.2 Literature review and hypotheses development	76
3.2.1 CSRD and financial performance.....	76
3.2.2 CSRD, corporate governance, and financial performance	79
3.3 Sample, variables and models.....	81
3.3.1 Sample and data.....	81
3.3.2 Variables	83
3.3.2.1 Performance variables	83
3.3.2.2 Corporate social responsibility disclosure.....	83
3.3.2.3 Corporate governance quality	84
3.3.2.4 Control variables	84
3.3.3 Models.....	84
3.4 Results.....	86
3.4.1 Summary statistics	86
3.4.2 Sorting results	88
3.4.3 Empirical results	91
3.5 Additional analyses and robustness checks	95
3.5.1 Multi-dimensionality of CSR reporting: environmental, social, and governance	95
3.5.2 The effect of governance measurement: CGQ7	96
3.6 Conclusion	98
CHAPTER 4.....	102
CSR DISCLOSURE, FINANCIAL REPORTING QUALITY, AND INFORMATION ASYMMETRY	102
4.1 Introduction.....	103
4.2 Prior research and hypotheses development.....	105
4.2.1 Firm disclosure and information asymmetry.....	105

4.2.2	CSR disclosure and information asymmetry	107
4.2.3	The association between CSR disclosure and financial reporting in affecting information asymmetry	109
4.3	Data and Model specification	112
4.3.1	Sample and data	112
4.3.2	Variable definition	112
4.3.3	Model specification.....	119
4.4	Results.....	121
4.4.1	Summary statistics	121
4.4.2	Main regression results	125
4.5	Robustness test.....	128
4.5.1	The impact of polluting industry.....	129
4.5.2	Alternative measures of information asymmetry.....	131
4.6	Conclusion	135
	GENERAL CONCLUSION.....	140
	RESEARCH FINDINGS	142
	CONTRIBUTIONS AND PRACTICAL IMPLICATIONS.....	144
	LIMITATIONS AND SUGGESTIONS	146
	REFERENCES	147

LIST OF TABLES

Table 1.1: Nonfinancial performance dimensions and indicators	18
Table 1.2: A comparison between nonfinancial performance and CSR dimensions	19
Table 2.1: The similarity between CSP and Nonfinancial performance measures	46
Table 2.2: Summary statistics	57
Table 2.3: The relationship between CSR disclosure and CSR performance	60
Table 2.4: The Dumitrescu & Hurlin (2012) Granger non-causality test results	62
Table 2.5: The Dumitrescu & Hurlin (2012) Granger non-causality test results	62
Table 2.6: The relationship between Score, Escore, Gscore and CSP	64
Table 2.7: The relationship between CSRD and CSP during the debt crisis between 2008 and 2011	66
Table 3.1: Characteristics of the sample	82
Table 3.2: Summary statistics	90
Table 3.3: The impact of CSRD and corporate governance on financial performance, using static approach with fixed-effect models.....	93
Table 3.4: The impact of CSRD and corporate governance on financial performance using Arellano and Bond estimation.....	94
Table 3.5: Disclosure of CSR components and CGQ on financial performance, using a static approach with fixed-effect models	97
Table 4.1: Summary statistics	123
Table 4.2: The effect of CSRD on information asymmetry (FEM)	125
Table 4.3: The likelihood of a firm reporting high level of CSR information	127
Table 4.4: Financial reporting quality, CSR disclosure and information asymmetry	128
Table 4.5: The likelihood of a firm reporting high level of CSR information	130
Table 4.6: Financial reporting quality, CSR disclosure and information asymmetry	131
Table 4.7: The effect of CSRD on information asymmetry (FEM)	133
Table 4.8: Financial reporting quality, CSR disclosure and information asymmetry	134
Table 4.9: Financial reporting quality, CSR disclosure and information asymmetry	135

LIST OF FIGURES

Figure 1.1: Growth in global CSR reporting rates since 1993	12
Figure 1.2: Theoretical framework of research	22
Figure 2.1: The definition of Corporate Social Responsibility	44
Figure 2.2: Conceptual framework.....	50
Figure 2.3: CSR disclosure and CSR performance in the period 2007 – 2015	58
Figure 3.1: Research conceptual framework.....	81
Figure 3.2: Mean values of three financial performance measures across CSRD quintiles	89
Figure 3.3: Financial performance across CSRD quintiles in the extreme quintiles of CGQ..	89

APPENDIX

Appendix 2.1: Description of variables.....	68
Appendix 2.2: Environmental and Social Issues with Bloomberg fields.....	69
Appendix 3.1: Description of variables.....	99
Appendix 4.1: Variable definitions and data sources.....	137

ABBREVIATIONS

CSR	Corporate S ocial R esponsibility
CSRD	Corporate S ocial R esponsibility D isclosure
CSP	Corporate S ocial Responsibility P erformance
ESG	E nvironmental, S ocial, and G overnance
CGQ	Corporate G overnance Q uality
CFP	Corporate F inancial P erformance

PREFACE

In this thesis, we conduct three empirical essays examining the relationship between corporate social responsibility disclosure (hereafter, CSRD) and firm performance and firm systematic risk under the lens of contingency theory. Particularly, we consider the influence of differences in the quality of corporate governance on the link between CSRD and firm performance as well as the impacts of differences in financial reporting quality on the nexus between CSRD and information asymmetry. In doing so, we can give more insights to explain why companies need to disclose CSR information and what they should do to get benefit associated with CSR disclosure. This research will contribute to the growing literature on the capital market consequences of CSR activities with regarding to contingency factors.

In chapter 2, we focus on the true nature in the association between CSRD and corporate social responsibility performance (CSP). We found that they are positively related to each other and further this relation runs from both sides. This just says that the superior CSR performance are more forthcoming in CSR disclosure channels as well as the increase of reporting CSR information would lead to the improvement in CSR performance for fear of negative actions from stakeholders as firms perform badly. However, we didn't find evidence that CSRD precedes CSP or vice versa, so this relationship is not causal. These finding highlights the interaction between CSRD and CSP in the research on CSR activities. Two variables should be used simultaneously, any missing would cause the bias that can be a reason for the mixed relationship between CSRD and firm performance. This link will be controlled in our next studies.

In chapter 3, we study whether the relationship between CSRD and financial performance is non-linear as well as whether this nexus is influenced by the quality of corporate governance. They are two explanations for the mixed relationship between CSRD and financial performance. Our empirical results confirm that there is a significant U-shaped relation between CSRD and financial performance as well as a significant positive association between CSRD and corporate governance quality. Furthermore, the results also show the role of corporate governance quality as a moderator variable which alter this relation. These findings are consistent with stakeholder theory, shareholder theory, agency theory, and

signaling theory in which reporting CSR may lead to the increase of valuable internal resource but also a signal of poor performance in other operations.

In chapter 4, we exploit the essence of the association between CSR and financial report quality, complementary or substitute, and then investigate whether such association affects to the nexus of CSR and information asymmetry. We found a negative relationship between CSR disclosure and information asymmetry (bid-ask spread). However, this negative relationship disappears in firms with high financial reporting quality. It means that financial and CSR disclosure act as substitutes to each other in reducing information asymmetry. This study promotes the contingent role of financial reporting quality in the link between CSR and firm systematic risk.

PRÉFACE

Dans cette thèse, nous proposons trois essais empiriques examinant la relation entre la divulgation de l'information sur responsabilité sociale des entreprises (ci-après, CSRD) et la performance de l'entreprise ou le risque systématique de l'entreprise au regard de la théorie de la contingence. Nous considérons en particulier l'influence des différences de qualité de la gouvernance d'entreprise sur le lien entre CSRD et la performance des entreprises, ainsi que l'impact des différences de qualité de l'information financière sur le lien entre le CSRD et l'asymétrie de l'information. Ce faisant, nous pouvons approfondir les raisons pour lesquelles les entreprises doivent divulguer des informations en matière de RSE et ce qu'elles devraient faire pour tirer parti des avantages liés à leur divulgation. Cette recherche contribuera à la littérature croissante sur les conséquences des activités de RSE sur les marchés financiers et sur les facteurs de contingence capables d'influencer cette relation.

Au chapitre 2, nous mettons l'accent sur la nature de l'association entre la CSRD et la performance en matière de responsabilité sociale des entreprises (CSP). Nous avons constaté qu'ils sont positivement liés et que cette relation va dans les deux sens. Cela indique simplement que les performances supérieures en matière de RSE sont mises en valeur par une divulgation de l'information RSE plus importante et que l'augmentation du nombre d'informations communiquées en matière de RSE entraînerait une amélioration de la performance en matière de RSE, de peur que des réactions négatives de la part des parties prenantes ne se produisent. Cependant, nous n'avons trouvé aucune preuve que CSRD précède CSP ou vice-versa, ces relations ne sont donc pas causales. Ces résultats mettent en évidence l'interaction entre le CSRD et le CSP dans la recherche sur les activités de RSE. Les deux variables doivent être utilisées simultanément. Si l'une des deux dimensions est manquante, cela peut entraîner un biais qui peut expliquer la difficulté à obtenir une relation robuste entre le CSRD et la performance des entreprises. Ce lien sera contrôlé dans nos prochaines études.

Dans le chapitre 3, nous étudions si la relation entre la CSRD et la performance financière est non linéaire et si ce lien est influencé par la qualité de la gouvernance des entreprises. Ce sont deux explications possible à la difficulté de mettre en relation une relation entre CSRD et

performance financière. Nos résultats empiriques confirment qu'il existe une relation en forme de U significative entre CSRD et la performance financière, ainsi qu'une association positive significative entre la CSRD et la qualité de la gouvernance. En outre, les résultats montrent également le rôle de la qualité de la gouvernance en tant que variable modératrice qui modifie cette relation. Ces résultats sont cohérents avec la théorie des parties prenantes, la théorie de l'actionnaire acteur central, la théorie de l'agence et la théorie de la signalisation, selon lesquelles le reporting RSE peut entraîner une meilleure utilisation des ressources interne, mais également être un signe de mauvaise performance dans les autres opérations.

Dans le chapitre 4, nous étudions l'association entre la CSRD et la qualité des informations financières des entreprises. Ces deux types d'information sont-elles complémentaires ou substituables pour les investisseurs ? Puis nous examinons si une telle association affecte le lien entre la CSRD et l'asymétrie de l'information. Nous avons constaté une relation négative entre la divulgation de la RSE et l'asymétrie d'information (écart de prix acheteur-vendeur). Cependant, cette relation négative disparaît dans les entreprises où la qualité de l'information financière est élevée. Cela signifie alors qu'il y a substitution entre la divulgation d'information financière et d'information RSE. Cette étude met en avant le rôle éventuel de la qualité de l'information financière dans le lien entre CSRD et le risque systématique des entreprises.

Titre : Les conséquences de l'information sur la responsabilité sociale des entreprises

Mots clés : information sur la responsabilité sociale des entreprises (RSE), performance RSE, performance financière, qualité de la gouvernance d'entreprise, asymétrie d'information.

Résumé : La thèse traite des conséquences de l'information portant sur la responsabilité sociale des entreprises. Après avoir expliqué l'intérêt de cette problématique et réalisé une revue de la littérature, nous analysons la relation susceptible d'exister entre l'information RSE et les performances RSE en utilisant l'approche de la causalité au sens de Granger. Ensuite, nous portons notre attention sur l'impact de l'information RSE sur les performances de l'entreprise en testant le caractère médiateur ou modérateur de la qualité du système de gouvernance. Pour terminer, nous étudions les effets de l'information RSE sur le niveau d'asymétrie d'information en lien avec la qualité de l'information financière. Les principaux résultats, la contribution de ce travail et les perspectives de recherche sont alors présentés en conclusion.

Title: The consequences of Corporate Social Responsibility Disclosure

Keywords: Corporate social responsibility disclosure, corporate social responsibility performance, financial performance, corporate governance quality, information asymmetry

Abstract: The dissertation includes four chapters. All chapters cover the overall topic: *The consequences of corporate social responsibility disclosure*. Chapter 1 introduces the motivation of thesis and summarizes an overview of the literature. Chapter 2 investigates the relationship between CSRD and CSR performance using Granger causality approach. Chapter 3 studies the impact of CSRD on financial performance under the moderation of corporate governance quality. Chapter 4 investigates the effect of CSRD to the level of information asymmetry with the presence of financial reporting quality. The main findings, contribution and discussion for future research are presented at the end of thesis.